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THE W. T. GRIMM & CO.

MERGERSTAT® REVIEW
1983

TOMISLAVA SIMIC
EDITOR

W. T. GRIMM & CO.
135 SOUTH LA SALLE STREET
CHICAGO, ILLINOIS 60603
312 - 346-5265

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INTRODUCTION

Founded in 1951, W. T. Grimm & Co. is one of the oldest firms in the country specializing as an intermediary in the merger, purchase or sale of established companies. We enjoy an international reputation as a leader in developing merger and acquisition transactions in virtually all branches of industry and have implemented hundreds of assignments for owners of companies seeking a merger or sale of their business or for corporations seeking acquisitions.

Instituted in 1963, the WTG Research Department was initially established to educate and to keep the firm's professional staff posted on changing merger trends, prices, P/Es, etc. It maintains a detailed account of every "publicly announced" merger-acquisition-divestiture and has thus far recorded a grand total of 63,013 transactions.

In addition to recording the identities of buyer and seller and other items, the price paid, the form of payment, the price earnings ratio paid, the premium paid over market and the price to book are computed for every transaction disclosing the requisite information. Each transaction is then classified into one of 50 industry categories. Such a data base provides a quick reference to the range of merger prices and ratios with respect to the industry classification of the seller.

Buyer and seller clients of W. T. Grimm & Co. have always received the benefit of this valuable data which guides the client to a merger price indicative of the industry served. The merger data bank contains invaluable information on the buying habits of many companies and is one of the many sources utilized in finding a buyer for a specific type of business.

With the publication of the 1981 Mergerstat Review, we demonstrated our commitment to meeting your research needs. We maintained that pledge by publishing a more extensive volume for 1982. Our 1983 edition follows in the same tradition by further incorporating more data, analyses and commentary. In order to provide you with a clearer perspective of merger and acquisition trends, we added more historical observations, including a brief synopsis of major merger eras prior to 1963. (The sources used were two well-known historical tracts: (1) Nelson, Ralph L. *Merger Movements in the United States.* Princeton University Press, Princeton, 1959. (2) Steiner, Peter O. *Mergers: Motives, Effects, Policies.* University of Michigan Press, Ann Arbor, 1975.) Our annual listing of the 100 largest transactions has been lengthened to include all the year's deals with purchase prices of $100 million or more. They are now identified as the W. T. Grimm & Co. 100 Million Dollar Club. The listing of the 25 largest transactions involving foreign buyers has also been expanded to contain all the transactions supplying a purchase price. The same type of listing also appears for foreign sellers. Due to the increasing interest in leveraged buyouts, we expanded our "Going Private" chapter by adding dollar aggregates, average price earnings ratios paid, average premiums paid over market, and a roster of the 20 largest going private deals since 1979. We trust the new additions and improvements will result in an even more informative and interesting volume.

The WTG Research Department can prepare special studies and reports on a contract basis tailored to the individual needs of the client. Our Research Department will be pleased to accommodate your requests for information of a specialized nature.

Please feel welcome to contact us with comments or inquiries regarding our research and intermediary services.

Willard T. Grimm
Chairman

Tomislava Simic
Director of Research

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I.

STATISTICAL REVIEW AND DISCUSSION

MERGER AND ACQUISITION ANNOUNCEMENTS

1983 — A Nine-Year Record

Net merger and acquisition announcements* in 1983 set a nine-year record. Mergers and acquisitions totalled 2,533, up 8% from 2,346 in 1982. This was the highest count since 1974 when 2,861 deals were recorded.

Both the economic recovery and businesses' ability to control costs have resulted in greatly improved profits which along with lower taxes and inflation have increased cash flow. Flushed with cash, companies are raising dividends, repaying debt, increasing capital spending, and activating strategic acquisition and divestiture programs.

NET MERGER—ACQUISITION ANNOUNCEMENTS
1963 — 1983

Year	Number	Year to Year Percentage Change
1963	1,361	
1964	1,950	+43%
1965	2,125	+ 9%
1966	2,377	+12%
1967	2,975	+25%
1968	4,462	+50%
1969	6,107	+37%
1970	5,152	−16%
1971	4,608	−11%
1972	4,801	+ 4%
1973	4,040	−16%
1974	2,861	−29%
1975	2,297	−20%
1976	2,276	− 1%
1977	2,224	− 2%
1978	2,106	− 5%
1979	2,128	+ 1%
1980	1,889	−11%
1981	2,395	+27%
1982	2,346	− 2%
1983	2,533	+ 8%
	63,013	

Source: W. T. Grimm & Co.

Figure 1.

**The term net merger and acquisition announcements refers to completed or pending transactions as of the end of the applicable period. The W. T. Grimm & Co. Research Department records publicly announced transfers of ownership of at least 10% of a company's assets or equity. Divisional/partial sales must have a minimum purchase price of $500,000 to be included in the merger count.*

Historical Note

The following is a brief historical synopsis of merger trends:

Most economic historians have identified four periods of increased merger-acquisition activity dating back to the turn of the twentieth century:

> *(1) 1893-1904, activity dominated by same-industry consolidations of many small firms resulting in monopolistic entities. Some believed the Sherman Antitrust Act of 1890 helped to foster these horizontal mergers since the Sherman Act outlawed collusion, but not mergers;*
>
> *(2) 1915-1929, characterized by horizontal mergers of secondary firms resulting in oligopolies, in which a few large firms dominated an industry;*
>
> *(3) 1940s, activity consisted of acquisitions of many small, privately held businesses by large companies on a friendly basis. Burdensome estate taxes forced smaller corporate owners to sell out;*
>
> *(4) mid-1950s-1969 (see WTG statistics from 1963 to 1969), identified as the longest and largest merger-acquisition wave with the highest number of transactions; designated as "conglomerate" merger wave which was characterized by small and medium-sized companies acquiring other small/medium-sized firms in unrelated industries. The conglomerate merger wave was propelled by the theory of diversification which held that the control of a variety of businesses would lessen the risk of business cycles. Some have argued that the stricter enforcement of antitrust laws prohibiting horizontal and vertical mergers played a role in fueling conglomerate activity. Accounting techniques, namely "pooling of interest", however, did encourage conglomerate acquisitions by allowing acquirers to combine their sales and earnings with those of sellers, thereby immediately boosting the earnings per share of the acquirer. This further stimulated the merger movement by enabling the acquirer to purchase more companies with seemingly higher-valued stock. The drop in the stock market during 1970 and the imposition of stricter accounting procedures spelled an end to the conglomerate wave. Conglomerates such as ITT, Textron, Litton Industries and LTV (Ling-Temco-Vought) grew out of this era.*

Some analysts and economists have identified a fifth period of intense merger activity beginning in the mid-1970s and peaking in 1981. WTG merger-acquisition announcement totals do not show a fifth wave since it is being described in terms of total dollars paid for acquisitions. Dollar totals in the past few years have exploded. (See page 5 for dollar total discussion.) Our thoughts on merger-acquisition strategies from the mid-1970s to the present appear in the Commentary/Outlook section.

(The WTG Research Department's merger and acquisition data date back to 1963.)

Acquisition activity in the 1983 first quarter decreased 11% to 540 from 604 a year earlier. It was the third consecutive quarterly decline and the lowest quarterly total since the fourth quarter of 1980. Mergers in the 1983 second quarter returned to year-earlier levels with announcements totalling 595, compared with 594 in 1982's second quarter. As a result, the first half count was down 5% from the comparable year-earlier period.

The merger-acquisition pace picked up speed in the last two quarters. Third quarter acquisitions rose 18% to 677 from 574. Mergers in the fourth quarter also set a nine-year record, surging 26% to 721 from 574 in the fourth quarter of 1982.

Evidence of the economic recovery mounted throughout the year. As business optimism gained momentum, acquisition projects were moved to the front burner. Plans initiated in the first part of the year came to fruition during the last half.

QUARTERLY MERGER SCENE
1974 — 1983

Year	First	Second	Third	Fourth	Annual
1974	878	791	660	532	2,861
1975	579	626	527	565	2,297
1976	557	713	506	500	2,276
1977	490	571	616	547	2,224
1978	511	596	501	498	2,106
1979	580	537	506	505	2,128
1980	411	445	498	535	1,889
1981	599	585	623	588	2,395
1982	604	594	574	574	2,346
1983	540	595	677	721	2,533

Source: W. T. Grimm & Co.

Figure 2.

The following table presents a more in-depth survey of acquisition activity for the last five years by differentiating merger announcements among four types of transactions. Numbers of deals are provided for each grouping along with their respective percentages of total activity.

COMPOSITION OF ACQUISITION ANNOUNCEMENTS
1979 — 1983

		1979	1980	1981	1982	1983
	Divestitures	752(35%)	666(35%)	830(35%)	875(37%)	932(37%)
Acquisitions of	Publicly Traded Sellers*	248(12%)	173(9%)	168(7%)	180(8%)	190(7%)
	Privately Owned Sellers*	1,049(49%)	988(52%)	1,330(55%)	1,222(52%)	1,316(52%)
	Foreign Sellers*	79(4%)	62(4%)	67(3%)	69(3%)	95(4%)
	Total Announcements	2,128	1,889	2,395	2,346	2,533

*Acquisitions of entire companies.

Source: W. T. Grimm & Co.

Figure 3.

As indicated above, activity increased in each of the transaction groupings. Corporate managements continued their asset redeployment programs, resulting in a 7% increase in divestiture activity. The 6% gain in acquisitions of publicly traded companies was in part due to an ever increasing trend to take companies private. The 8% increase in acquisitions of privately held companies reflected better offers, based on a stronger economy and resultant higher stock prices which permitted acquirers to offer more attractive bids to sellers. The strength of the U.S. dollar fueled the increase in acquisitions of foreign sellers (excluding divestitures).

TOTAL DOLLAR VALUE PAID

The total dollar value paid for the 1,077 transactions providing a purchase price in 1983 was $73.1 billion, up 36% from $53.8 billion a year earlier. The 1983 dollar total was short $9.5 billion of reaching the record $82.6 billion recorded in 1981.

Contributing to the increase in the dollar total were transactions with price tags of $100 million or more which rose from 116 in 1982 to 138 in 1983, signaling a return to the mega-deal and the start of the mega-divestiture. Of the 138 deals valued at $100 million plus, 11 were worth $1 billion or more compared with 6 in 1982 and 12 in 1981. Unlike 1981, when mega-deals were limited to the natural resources industry, 1983's billion dollar transactions were divided between financial services and natural resources with four transactions each. Railroads, broadcasting and health care services were also represented with one transaction each.

A listing of the 138 largest deals of 1983—The 100 Million Dollar Club—begins on page 6. Some notable features include an increase in both divestitures and leveraged buyouts, a decline in foreign buyers, and a decrease in conglomerate acquisitions. Divestitures valued at $100 million or more rose from 41 in 1982 to 50 in 1983; leveraged deals increased from 12 to 17; foreign buyers dropped from 15 to 10; conglomerate acquisitions fell from 11 to 7. Twenty three of the $100 million plus deals of 1982 were acquisitions of companies in financial services, while 16 were takeovers of natural resources concerns. In 1983, there were 35 financial services acquisitions and 25 natural resource combinations.

Companies appearing as acquirers on both the 1983 and 1982 lists include American General Corp., James River Corp., IBM Corp., Mellon National Corp., ConAgra, Inc., American Brands, Inc., Diamond Shamrock Corp., and NCNB Corp. Northwest Energy Co., Metromedia Inc., and Trane Co. appeared in 1982 as acquirers and were acquired in 1983.

THE W. T. GRIMM & CO. 100 MILLION DOLLAR CLUB
(Completed/Pending Transactions)
1983

Buyer [business and/or product line]	**Seller** (if applicable, unit sold) [business and/or product line]	**Approximate Price Paid** ***(millions)***
#1. **Santa Fe Industries, Inc.** [railroad holding co.]	**Southern Pacific Co.** [railroad holding co.]	**$5,099.1**
2. **Broken Hill Proprietary Co. — Australia** [natural resources]	**General Electric Co.** (Utah International, Inc.) [leading producer of metallurgical coal in Australia]	**2,400.0**
3. **Pennzoil Co.** [integrated oil co.] + In January, 84 Pennzoil withdrew its offer for 20% of Getty.	**Getty Oil Co. (20%)** [integrated oil co.]	**1,600.0**
4. **Manufacturers Hanover Corp.** [multiple bank holding]	**RCA Corp.** (C.I.T. Financial Corp.) [major finance co.]	**1,510.0**
* 5. **Private Group** [top executives of Metromedia, led by John W. Kluge, chairman]	**Metromedia, Inc.** [television and radio stations]	**1,467.9**
6. **Diamond Shamrock Corp.** [oil/gas - chemicals-coal]	**Natomas Co.** [oil exploration, development and production]	**1,354.5**
# 7. **Mercantile Texas Corp.** [bank holding - Dallas]	**Southwest Bancshares, Inc.** [bank holding - Houston]	**1,175.6**
8. **American Medical International, Inc.** [3rd largest hospital management co.]	**Lifemark Corp.** [5th largest hospital management co.]	**1,144.5**
9. **Phillips Petroleum Co.** [domestic integrated oil co.]	**General American Oil Co.** [expl'n. & prod'n. of oil/natural gas]	**1,140.0**
10. **CSX Corp.** [railroad holding]	**Texas Gas Resources Corp.** [oil/gas expl'n. & prod'n.]	**1,053.5**
11. **American General Corp.** [life, fire, casualty insurance holding]	**Gulf United Corp.** [insurance holding]	**1,012.0**
12. **Esmark, Inc.** [diversified: foods - chemicals - personal prdts. - auto prdts.]	**Norton Simon, Inc.** [diversified: foods - vehicle rental - cosmetics - fashion]	**835.5**
13. **American Express Co.** [travel & investor services - insurance - banking]	**Alleghany Corp.** (Investors Diversified Services, Inc.) [offers a variety of investment prdts. to middle-income market]	**829.1**
14. **Brown-Forman Distillers Corp.** [spirits & wine]	**Lenox, Inc.** [china - crystal - giftware - luggage]	**814.3**
*15. **Kohlberg, Kravis, Roberts & Co.** [investment group led by Kohlberg]	**Wometco Enterprises, Inc.** [broadcasting - coke bottling - vending]	**810.0**
16. **Goodyear Tire & Rubber Co.** [world's largest tire & rubber co.]	**Celeron Corp.** [oil/gas - gas PL]	**809.7**

Statutory Merger—Companies consolidate to form new entity; there is no buyer and no seller; both companies receive stock in new merged entity; value determined by combining the respective market values of participants.

*Leveraged Buyout—deals which were publicly announced to be leveraged.

Buyer [business and/or product line]	**Seller** (if applicable, unit sold) [business and/or product line]	**Approximate Price Paid** *(millions)*
17. **Financial Corp. of America** [S & L holding]	**First Charter Financial Corp.** [S & L holding]	$ 804.8
18. **InterNorth, Inc.** [natural gas PL - energy exploration]	**Belco Petroleum Corp.** [oil/gas - coal mining]	749.8
19. **LTV Corp.** [diversified: steel - energy prdts. - aerospace]	**Republic Steel Corp.** [nation's 4th largest steelmaker]	744.8
20. **Williams Cos.** [diversified: fertilizer - energy - metal centers]	**Northwest Energy Co.** [natural gas PL - oil/gas-coal]	711.2
21. **Burlington Northern, Inc.** [railroad holding]	**El Paso Co.** (remaining 52%) [gas PL - oil/gas - chemicals]	675.6
22. **Private — Kirk Kerkorian** [a major shareholder of MGM] †Kerkorian withdrew offer in January, 1984.	**MGM/UA Entertainment Co.** (remaining 49.9%) [motion pictures]	620.7
23. **A. H. Belo Corp.** [newspaper publishing - broadcasting]	**Dun & Bradstreet Corp.** (Corinthian Broadcasting Group) [six television stations]	606.0
*24. **Private Group** [organized by E. F. Hutton and includes several Conoco Chemicals executives]	**Du Pont Co.** (certain chemical assets) [plants which make ethylene, synthetic alcohols, polyvinyl chloride resins]	600.0
24. **Philadelphia Savings Fund Society** [S & L]	**General Electric Co.** (Family Financial Services) [originates & purchases second mortgages]	600.0
26. **Southland Corp.** [nation's largest independent gasoline retailer - convenience food stores]	**Occidental Petroleum Corp.** (certain assets) [a refinery - chain of gasoline stations - certain transportation & wholesaling businesses]	582.0
*27. **DPCC Acquisition Corp.** [an investment group owned by Castle & Cooke Inc., Drexel Burnham Lambert, Citicorp Venture Capital & other investors]	**Dr. Pepper Co.** [3rd largest soft drink co.]	558.7
#28. **CBT Corp.** [bank holding - Connecticut]	**Bank of New England** [bank holding - Boston area]	558.6
29. **American Express Co.** [travel & investor services - insurance, etc.]	**Trade Development Bank Holding S.A. — Switzerland** [banking]	550.0
30. **Bank of Montreal — Canada** [Canada's 3rd largest bank]	**Harris Bankcorp** [bank holding - Illinois]	544.2
31. **Fort Howard Paper Co.** [sanitary paper prdts.]	**Maryland Cup Corp.** [paper cups - drinking straws - plastic containers]	535.1
*32. **Private Group** [organized by Forstmann Little & Co. and includes Dr. Pepper management]	**Dr. Pepper Co.** [3rd largest soft drink co.]	512.2
33. **American Standard, Inc.** [diversified: plumbing prdts. - railway & auto braking devices - graphic prdts.]	**Trane Co.** [makes & sells air-conditioning equipment]	511.3
34. **Private — Donald L. Bren**	**Irvine Co.** (86%) [real estate holding]	500.0

# Statutory Merger
* Leveraged Buyout

Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*
35. **McDonnell Douglas Corp.** [jet aircraft - space craft - missiles]	**Hughes Helicopters, Inc.** [military helicopters]	$ 470.0
#36. **Mid-Continent Telephone** [major independent telephone co.]	**Allied Telephone Co.** [telephone holding]	434.9
*37. **Kohlberg, Kravis, Roberts & Co.** [a new co. formed by Kohlberg and other investors, including Amstar management]	**Amstar Corp.** [largest domestic sugar producer - industrial devices - packaging mtls.]	428.6
38. **Fuji Bank Ltd. — Japan** [Japan's 2nd largest bank]	**Walter E. Heller International Corp.** (Walter E. Heller & Co. and Walter E. Heller Overseas Corp.) [commercial finance]	425.0
*39. **Private Group** [organized by Morgan Lewis Githens & Ahn and includes Dorchester management]	**Dorchester Gas Corp.** [oil/gas - LP gas - refinery]	391.0
40. **Stone Container Corp.** [paperboard & packaging products]	**Continental Group, Inc.** (certain forest-products assets) [most of Continental's containerboard and kraft paper operations]	390.0
*41. **Private Group** [composed of Cone management and other investors]	**Cone Mills Corp.** [mfrs. textiles for apparel]	385.1
42. **Private Group** [led by Tulsa, Oklahoma investor, J. A. Frates]	**Kaiser Steel Corp.** [fully integrated steel co.]	377.9
43. **Wesray Corp.** [investment holding co.]	**Occidental Petroleum Corp.** (Permian Corp.) [buys, transports & markets crude oil]	375.0
44. **Harris Corp.** [communications/graphic arts equipment]	**Lanier Business Products, Inc.** [dictating equipment]	358.0
45. **American Brands, Inc.** [diversified: tobacco - insurance - hardware]	**Southland Financial Corp.** (Southland Life Insurance Co.) [specializes in group policies]	352.0
*46. **ESCO Corp.** [steel foundry - paper machinery - construction machinery]	**Hyster Co.** (remaining 81%) [lift trucks - road pavement compactors - aerial work platforms]	340.5
47. **Private — Carl C. Icahn**	**ACF Industries, Inc.** (remaining 72.7%) [freight-car building - oilfield eqpt. mfg. - automotive prdts.]	340.4
#48. **Virginia National Bankshares, Inc.** [bank holding - Norfolk, VA]	**First & Merchants Corp.** [bank holding - Richmond, VA]	324.9
49. **Merck & Co.** [ethical drugs & fine chemicals]	**Banyu Pharmaceutical Co. — Japan** (51%) [among the 10 largest pharmaceutical cos. in Japan]	313.5
50. **Chart House, Inc.** [restaurant chain operator]	**Godfather's Pizza, Inc.** [chain of 800 pizza restaurants]	304.8
51. **Hercules, Inc.** [chemicals & plastics]	**Simmonds Precision Products, Inc.** [fuel-management systems - ignition systems - flight control actuators]	304.4
52. **Pacific Lighting Corp.** [utility holding]	**Farmland Industries, Inc.** (Terra Resources, Inc.) [oil/gas expl'n & prod'n.]	300.0

# Statutory Merger
* Leveraged Buyout

Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*
52. **Black & Decker Mfg. Co.** [portable electrical tools]	**General Electric Co.** (Housewares operations) [small electrical appliances]	$ 300.0
54. **Landmark Banking Corp.** [multiple bank holding - Florida]	**Southwest Florida Banks, Inc.** [bank holding - Florida]	298.6
55. **First City Bancorp of Texas** [multiple bank holding - Houston]	**Cullen/Frost Bankers, Inc.** [multiple bank holding - San Antonio]	287.6
56. **Sun Banks, Inc.** [bank holding - Florida]	**Flagship Banks, Inc.** [bank holding - Florida]	285.2
57. **Warner Communications, Inc.** [entertainment field leader]	**Chris-Craft Industries, Inc.** (42.5% of BHC, Inc.) [4th largest non-network broadcaster]	276.0
58. **Rockefeller Center, Inc.** [hldg: real estate - oil/gas - office management]	**Outlet Co.** [television & radio broadcasting]	275.3
59. **First Chicago Corp.** [bank holding: First National Bank of Chicago]	**Walter E. Heller Int'l. Corp.** (American National Bank & Trust Co.) [Chicago's 5th largest bank]	275.0
*60. **Private Group** [led by American Can Co. and includes Harold S. Geneen and Ticor's chairman and president]	**Southern Pacific Co.** (Ticor) [nation's largest commercial & residential title insurance operation]	271.3
*61. **Private Group** [includes Albany senior management, several current holders & other investors]	**Albany International Corp.** [industrial fabrics & plastics]	270.4
*62. **Private Group** [organized by Allen & Co. and includes GNB's president]	**Gould, Inc.** (GNB Batteries, Inc.) [lead-acid batteries]	270.0
63. **National Distillers & Chemical Corp.** [diversified: chemicals - liquor - textiles - insurance]	**Suburban Propane Gas Corp.** [propane - oil/gas expl'n. - petroleum refining]	269.3
64. **American Telephone & Telegraph Co.** [national & internat'l. telecommunications]	**Ing. C. Olivetti & Co. — Italy** (25%) [office equipment]	260.0
65. **MidCon Corp.** [gas transmission - drilling - coal]	**Union Pacific Corp.** (Mississippi River Transmission Corp.) [natural gas transmission]	256.3
66. **I.C.H. Corp.** [insurance holding]	**American General Corp.** (Great Southern Life Insurance Co.) [life, accident & health insurance]	250.0
66. **BankAmerica Corp.** [hldg: largest bank in U.S.]	**Seafirst Corp.** [bank holding - Seattle, WA]	250.0
66. **Peabody Holding Co.** [coal mining]	**Armco, Inc.** (West Virginia coal properties)	250.0
69. **Chase Manhattan Corp.** [multiple bank holding - New York City]	**Lincoln First Banks, Inc.** [multiple bank holding - Rochester, NY]	249.0
70. **Mitsubishi Bank Ltd. — Japan** [12th largest bank in world]	**BanCal Tri-State Corp.** [banking: CA, WA, & Oregon]	240.3
71. **Litton Industries, Inc.** [defense - aerospace - electronics]	**Itek Corp.** [optical systems - defense prdts. - graphics eqpt.]	238.5
72. **International Business Machines Corp.** [largest mfr. of business machines]	**Rolm Corp.** (15%) [computers & telephone switches]	227.8

# Statutory Merger
* Leveraged Buyout

Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*
73. **Circle K Corp.** [convenience food stores]	**American Financial Corp.** (Utotem, Inc.) [convenience stores]	$ 225.0
74. **Rowntree Mackintosh PLC — Britain** [foods]	**General Mills, Inc.** (Tom's Foods) [snack foods]	215.0
74. **CIGNA Corp.** [insurance holding]	**AFIA** (remaining 90%) [American Foreign Insurance Association - an assn. of U.S. insurance cos. doing business overseas]	215.0
76. **First Texas Savings Association** [S & Ls - Texas]	**Gibraltar Savings Association** [S & Ls - Texas]	214.2
77. **Kaneb Services, Inc.** [drilling - coal - PL]	**Moran Energy, Inc.** [oil/gas expl'n. & development]	213.3
78. **Quaker Oats Co.** [leading food processor]	**Stokely-Van Camp, Inc.** [canned & frozen foods]	211.4
79. **Great Western Financial Corp.** [S & Ls - California]	**Financial Federation, Inc.** [S & L - Los Angeles]	204.7
80. **Seagram Co. — Canada** [distiller]	**Coca-Cola Co.** (Wine Spectrum) [Sterling & Monterey vineyards - Taylor Wine Co.]	200.0
81. **First National State Bancorp** [multiple bank holding - NJ]	**Fidelity Union Bancorp** [multiple bank holding - NJ]	197.0
82. **Lear Siegler, Inc.** [diversified: vehicle components - ind'l. prdts.- housing prdts.]	**Bangor Punta Corp.** [diversified: general aviation aircraft - sporting eqpt. - law enforcement eqpt.]	194.4
*83. **Private Group** [organized by Lazard Freres & Co. & includes Ti-Caro management]	**Ti-Caro, Inc.** [sewing thread - yarn - fabrics]	190.8
84. **Gulf & Western Industries, Inc.** [diversified: consumer & industrial prdts. - motion pictures - fin'l. services]	**Esquire, Inc.** (remaining 72%) [publishing, film & video]	188.6
85. **Private Group** [Bass family of Fort Worth, TX & Arvida management]	**Penn Central Corp.** (Arvida Corp.) [resort community development]	188.0
86. **Tele-Communications, Inc.** [cable TV & microwave communications]	**Liberty Communications, Inc.** [operates 5 TV stations & cable TV systems in 10 states]	182.0
87. **Enstar Corp.** [oil & gas]	**Superior Oil Co.** (Indonesian Superior Oil Co.) [oil/gas expl'n. & development]	180.0
88. **Monsanto Co.** [leading diversified chemical co.]	**General Electric Co. PLC — Britian** (its remaining 33.5% of Fisher Controls International, Inc.) [valves & regulators]	178.0
89. **South Carolina National Corp.** [bank holding - SC]	**First Bankshares Corp. of Columbia, South Carolina** [bank holding]	174.2

# Statutory Merger
* Leveraged Buyout

Buyer [business and/or product line]	**Seller** (if applicable, unit sold) [business and/or product line]	**Approximate Price Paid** ***(millions)***
*90. **Private Group** [arranged by Kelso & Co. and includes both Raymond management and employees through an ESOP]	**Raymond International, Inc.** [engineering & construction services]	$ 171.8
91. **Mellon National Corp.** [bank holding - Pittsburgh]	**Heritage Bancorp** [two-bank holding - NJ]	170.9
92. **James River Corp.** [chemically treated specialty paper prdts.]	**Diamond International Corp.** (Pulp & papermaking assets)	170.8
93. **Great Western Financial Corp.** [S & Ls - California]	**CanWest Capital Corp. — Canada** (Aristar, Inc.) [insurance - consumer finance - mortgage banking]	170.0
93. **LTV Corp.** [diversified]	**American Motors Corp.** (AM General Corp.) [makes tactical wheeled vehicles for military use]	170.0
95. **NCNB Corp.** [bank holding - NC]	**Ellis Banking Corp.** [bank holding - Florida]	168.3
*96. **Private Group** [management of unit & other investors]	**Taft Broadcasting Co.** (domestic theme parks) [3 parks in Cincinnati, Ohio; Richmond, VA; and Charlotte, NC]	167.5
97. **ConAgra, Inc.** [bakery flour - feeds - poultry]	**Greyhound Corp.** (Armour Food Co.) [meat processing & packing]	166.0
98. **Fleet Financial Group, Inc.** [bank holding - RI]	**U.S. Industries, Inc.** (Credico Financial, Inc. and Colonial American Life Insurance Co.)	162.5
99. **Reliance Group Holdings, Inc.** [hldg: insurance - RE - management services]	**Pargas, Inc.** [distributor of liquified petroleum gas]	154.4
100. **Berkshire Hathaway, Inc.** [hldg: insurance - textiles - candy]	**Blue Chip Stamps** (remaining 40%) [candy - steel - newspapers - S&L]	153.9
101. **Private Group**	**Coca-Cola Bottling Co. of Miami** [soft drink distributor]	153.6
102. **Blue Circle Industries Group — Britain**	**Martin Marietta Corp.** (4 cement plants)	150.0
102. **Metropolitan Life Insurance Co.**	**BankAmerica Corp.** (Seafirst Leasing Corp.)	150.0
102. **Xerox Corp.** [office & business eqpt. - insurance]	**Van Kampen Merritt, Inc.** [investment banking]	150.0
# 105. **Medical 21 Corp.** [outpatient surgical centers]	**Surgicare Corp.** [outpatient surgical centers]	141.8
106. **Sonat, Inc.** [natural gas PL - drilling]	**Teleco Oilfield Services, Inc.** [oil-drilling measurement systems]	141.1
107. **Bally Mfg. Co.** [coin-operated amusement equipment]	**Health & Tennis Corp. of America** [health & fitness centers in U.S. & Canada]	140.0
107. **W. R. Grace & Co.** [diversified: chemicals - energy - consumer]	**Diamond Shamrock Corp.** (process-chemical & metal-coating divisions) [mfrs. specialty chemicals for ind'l. applications]	140.0
107. **General Electric Corp.** [electrical/electronic equipment]	**Tiger International, Inc.** (North American Car Corp.) [railcar leasing]	140.0

# Statutory Merger
* Leveraged Buyout

Buyer [business and/or product line]	**Seller** (if applicable, unit sold) [business and/or product line]	**Approximate Price Paid** ***(millions)***
110. **Clevepak Corp.** [paper-based prdts. for packaging]	**Interpace Corp.** [construction and building prdts.]	**$ 138.5**
111. **Bausch & Lomb, Inc.** [vision care & instruments]	**Charles River Breeding Laboratories, Inc.** [produces and sells lab test animals for medical research]	**132.9**
112. **CCL Industries Ltd. — Canada** [household spray and cleaning agents]	**Continental Group** (Canadian packaging business)	**130.0**
*113. **Private Group** [employee-controlled holding co.]	**Dan River, Inc.** [major textile mfr.]	**129.6**
114. **Bank of Boston Corp.** [bank holding - First National of Boston]	**RIHT Financial Corp.** [Rhode Island's 3rd largest bank holding co.]	**125.6**
115. **CPC International, Inc.** [food processor and corn wetmiller]	**McKesson Corp.** (C. F. Mueller Co.) [one of country's largest pasta makers]	**125.0**
116. **CIGNA Corp.** [insurance holding]	**Crusader Insurance PLC — Britain**	**123.0**
*117. **Private Group** [Consolidated's management]	**Gulf & Western Industries, Inc.** (Consolidated Cigar Co.) [cigars and smoking tobacco]	**120.0**
117. **Bank of Boston Corp.**	**Phillips Petroleum Co.** (Stockton, Whatley, Davis & Co.) [mortgage banking]	**120.0**
117. **Michigan General Corp.** [apparel - housing - industrial products]	**Diamond International, Inc.** (retail lumber and building products division) [97 home-bldg. centers & lumber yards in 15 states]	**120.0**
120. **Celanese Corp.** [fibers - plastics - chemicals]	**Imperial Chemical Industries PLC — Britain** (remaining 37.5% in Fiber Industries, Inc.) [polyester yarns and fibers]	**119.0**
121. **Gillett Group, Inc.** [TV stations]	**Post Corp.** [newspapers - TV and radio stations - commercial printing plants]	**118.6**
122. **Allied Corp.** [diversified]	**Instrumentation Laboratory, Inc.** [biomedical and analytical instruments]	**112.6**
123. **Holiday Inns, Inc.** [hotels - restaurants]	**Granada Royale Hometels** (controlling interest) [chain of 21 hotels]	**111.0**
124. **Private Group** [includes Stater's management]	**Petrolane Corp.** (Stater Bros. Markets) [owns & operates 92 supermarkets in southern California]	**110.0**
125. **Norstar Bancorp** [multiple bank holding - Albany, NY]	**Security New York State Corp.** [multiple bank holding - Rochester, NY]	**108.7**
126. **Custer Resources Corp.** [oil & gas]	**Canadian Natural Resources, Ltd. — Canada** (CNR Resources, Inc.—U.S.) [oil & gas]	**105.0**
126. **Consolidated Foods Corp.** [processed foods - consumer prdts.]	**Douwe Egberts — Netherlands** (remaining 35%) [coffee, tea & tobacco prdts.]	**105.0**
128. **Lin Broadcasting Corp.** [radio & TV broadcasting]	**A. H. Belo Corp.** (2 TV stations)	**104.9**

# Statutory Merger
* Leveraged Buyout

Buyer [business and/or product line]	**Seller** (if applicable, unit sold) [business and/or product line]	**Approximate Price Paid** ***(millions)***
129. **Lear Petroleum Corp.** [oil/gas]	**McRae Consolidated Oil & Gas, Inc.** (remaining 49.5%) [pipeline - oil/gas]	$ 104.4
130. **Comdata Network, Inc.** [funds-transfer]	**Instacom, Inc.** [funds-transfer]	103.0
131. **NUI Corp.** [gas service in NJ]	**New Jersey Resources Corp.** [gas service in NJ]	101.2
132. **Manor Care, Inc.** [nursing homes - motels]	**Anta Corp.** [aluminum prdts. - nursing centers - packaging - oil]	101.0
133. **Universal Health Services, Inc.** [acute care hospitals]	**Qualicare, Inc.** [owns 11 hospitals]	100.0
134. **Ultramar PLC — Britain** [oil]	**Pittston Co.** (Pittston Petroleum, Inc.) [fuel oil]	100.0
135. **Mercury Savings Association of Texas**	**Baldwin-United Corp.** (5 mortgage banking units)	100.0
136. **Standard Coal Co.** [formed by a group of Zapata Coal division managers]	**Zapata Corp.** (Zapata Fuels, Inc.) [coal mining]	100.0
137. **Penn Central Corp.** [diversified]	**InterNorth, Inc.** (Northern Propane Gas Co.) [propane retailing]	100.0
138. **Toronto Sun Publishing Corp. — Canada**	**H & C Communications** (Houston Post)	100.0

# Statutory Merger
* Leveraged Buyout

The average purchase price rose from $57.8 million to $67.9 million. The median purchase price, which is not influenced as much by the greater number of larger sized deals, increased from $10.5 million to $16.5 million, the highest increase in more than ten years.

AVERAGE & MEDIAN PURCHASE PRICE
1968 — 1983
(millions of dollars)

Year	Total Dollar Value Paid	Base*	Number of Transactions Valued at $100MM or More	Average Price	Median Price
1968	$43,609.0	1,514	NA	$28.8	$ NA
1969	23,710.9	2,300	NA	10.3	NA
1970	16,414.9	1,671	NA	9.8	NA
1971	12,619.3	1,707	NA	7.4	NA
1972	16,680.5	1,930	15	8.6	2.8
1973	16,664.5	1,574	28	10.6	3.4
1974	12,465.6	995	15	12.5	3.6
1975	11,796.4	848	14	13.9	4.3
1976	20,029.5	998	39	20.1	5.1
1977	21,937.1	1,032	41	21.3	6.6
1978	34,180.4	1,071	80	31.9	8.1
1979	43,535.1	1,047	83	41.6	8.5
1980	44,345.7	890	94	49.8	9.3
1981	82,617.6	1,126	113	73.4	9.0
1982	53,754.5	930	116	57.8	10.5
1983	73,080.5	1,077	138	67.9	16.5

*Base: The number of transactions which disclosed a purchase price.

Source: W. T. Grimm & Co.

Figure 4.

The uninterrupted growth in large-scale consolidations together with inflationary pressures have both been factors in the increase of the average dollar value. The last five years have witnessed some of the largest corporate combinations in history. The 100 largest since 1968 are listed on the next few pages.

THE 100 LARGEST ACQUISITIONS
1968 — 1983

	BUYER / **SELLER** ***(In the case of divestitures, the unit sold is identified and appears in parenthesis.)***	**Approximate Price Paid (Millions)**	**Year Announced**
1.	Du Pont Co. Conoco, Inc.	$8,039.8	1981
2.	U. S. Steel Corp. Marathon Oil Co.	6,618.5	1981
#3.	Santa Fe Industries, Inc. Southern Pacific Co.	5,099.1	1983
4.	Societe Nationale Elf Aquitaine — France Texasgulf, Inc.	4,293.7	1981
#5.	Connecticut General Corp. INA Corp.	4,211.7	1981
6.	Occidental Petroleum Corp. Cities Service Co.	4,115.6	1982
7.	Shell Oil Co. Belridge Oil Co.	3,653.0	1979
8.	Fluor Corp. St. Joe Minerals Corp.	2,694.2	1981
9.	Seagram Co. Ltd. — Canada Conoco, Inc. (26%)	2,576.0	1981
10.	Kuwait Petroleum Corp. Santa Fe International Corp.	2,486.1	1981
#11.	Kraft, Inc. Dart Industries, Inc.	2,400.0	1980
11.	Broken Hill Proprietary Co. — Australia General Electric Co. (Utah International, Inc.)	2,400.0	1983
#13.	Freeport Minerals Co. McMoran Oil & Gas Co.	2,319.9	1980
14.	Sun Co., Inc. Seagram Co. Ltd. — Canada (Texas Pacific Oil Co.)	2,300.0	1980
15.	Standard Oil Co. of Ohio Kennecott Corp.	2,061.3	1981
16.	General Electric Co. Utah International, Inc.	1,906.5	1975
#17.	Nabisco, Inc. Standard Brands, Inc.	1,827.1	1981
#18.	Southern Railway Norfolk & Western Railway	1,730.2	1980
19.	Mobil Oil Corp. Marcor, Inc. *Mobil acquired 54% in 1974 and remaining interest in 1976.	1,687.2	1974 & 1976
20.	Pennzoil Co. Getty Oil Co. (20%) *In January, 1984 Pennzoil withdrew offer.	1,600.0	1983
21.	American General Corp. NLT Corp.	1,593.7	1982
22.	Xerox Corp. Crum & Forster	1,572.3	1982

Statutory Merger

BUYER / SELLER *(In the case of divestitures, the unit sold is identified and appears in parenthesis.)*	Approximate Price Paid (Millions)	Year Announced
23. Manufacturers Hanover Corp. RCA Corp. (C.I.T. Financial Corp.)	$1,510.0	1983
24. Private Group — Metromedia's management Metromedia, Inc.	1,467.9	1983
25. Dome Petroleum Ltd. — Canada Conoco, Inc. (20%) * Dome acquired 20% of Conoco shares through a cash tender offer. Conoco then agreed to sell its controlling interest in Hudson's Bay Oil & Gas to Dome for $1.68 billion which consisted of $245 million in cash and the 20% of Conoco shares Dome had acquired.	1,430.0	1981
26. Schering Corp. Plough, Inc.	1,428.6	1970
27. Diamond Shamrock Corp. Natomas Co.	1,354.5	1983
28. RCA Corp. C.I.T. Financial Corp.	1,350.0	1979
29. Allied Corp. Bendix Corp.	1,334.8	1982
30. R. J. Reynolds Industries, Inc. Heublein, Inc.	1,302.6	1982
31. Burlington Northern, Inc. El Paso Co. * Burlington acquired 48% in 1982 and the remaining in 1983.	1,278.0	1982 & 1983
32. Newmont Mining Corp., Williams Cos., et al Kennecott Copper Corp. (Peabody Coal Co.)	1,200.0	1976
#33. Mercantile Texas Corp. Southwest Bancshares, Inc.	1,175.6	1983
34. Baldwin-United Corp. MGIC Investment Corp.	1,174.5	1981
35. Exxon Corp. Reliance Electric Co.	1,160.0	1979
36. American Medical International, Inc. Lifemark Corp.	1,144.5	1983
37. Phillips Petroleum Co. General American Oil Co. of Texas	1,140.9	1983
38. Bendix Corp. Martin Marietta Corp. (70%)	1,118.3	1982
39. CSX Corp. Texas Gas Resources Corp.	1,053.5	1983
40. SmithKline Corp. Beckman Instruments, Inc.	1,045.1	1981
#41. Chessie Systems, Inc. Seaboard Coast Line Industries, Inc.	1,037.5	1978
42. American General Corp. Gulf United Corp.	1,012.0	1983
43. Xerox Corp. Scientific Data Systems, Inc.	999.9	1969

# Statutory Merger

	BUYER / SELLER *(In the case of divestitures, the unit sold is identified and appears in parenthesis.)*	**Approximate Price Paid (Millions)**	**Year Announced**
44.	American Express Co. Shearson Loeb Rhoades, Inc.	$ 943.0	1981
45.	Union Pacific Missouri Pacific Corp.	920.1	1980
46.	Martin Marietta Corp. Bendix Corp. (50%)	892.5	1982
47.	Canadian Pacific Enterprises Ltd. — Canada International Paper Co. (Canadian International Paper Co.)	880.0	1981
48.	Cooper Industries, Inc. Crouse-Hinds Co.	846.4	1980
49.	Esmark, Inc. Norton Simon, Inc.	835.5	1983
50.	American Express Co. Alleghany Corp. (Investors Diversified Services, Inc.)	829.1	1983
51.	United Technologies Corp. Carrier Corp. * United acquired 49% in 1978 and remaining interest in 1979.	821.7	1978 & 1979
52.	Brown-Forman Distillers Corp. Lenox, Inc.	814.3	1983
53.	Kohlberg, Kravis, Roberts & Co. Wometco Enterprises, Inc.	810.0	1983
54.	Goodyear Tire & Rubber Co. Celeron Corp.	809.7	1983
55.	International Paper Co. Bodcaw Co.	805.0	1979
56.	Financial Corp. of America First Charter Financial Corp.	804.8	1983
57.	Mobil Corp. International Paper Co. (oil and gas operations of General Crude Co.)	800.0	1979
58.	Occidental Petroleum Corp. Iowa Beef Processors, Inc.	791.4	1981
59.	Petro-Lewis Corp. Du Pont Co. (certain Conoco assets)	772.0	1982
60.	Signal Cos. Wheelabrator-Frye, Inc.	765.4	1982
61.	J. Ray McDermott & Co. Babcock & Wilcox Co.	758.5	1977
62.	Tenneco, Inc. Southwestern Life Corp.	757.3	1979
63.	GTE Corp. Southern Pacific Co. (communications units)	750.0	1982
64.	InterNorth, Inc. Belco Petroleum Corp.	749.8	1983

Statutory Merger

	BUYER / SELLER *(In the case of divestitures, the unit sold is identified and appears in parenthesis.)*	Approximate Price Paid (Millions)	Year Announced
65.	Kroger Co. Dillon Cos.	$ 748.6	1982
66.	LTV Corp. Republic Steel Corp.	744.8	1983
67.	McGraw-Edison Co. Studebaker-Worthington, Inc.	727.8	1979
68.	Mobil Corp. Esmark, Inc. (Trans Ocean Oil, Inc.)	720.0	1980
69.	Allied Corp. & Continental Group Supron Energy Corp.	711.9	1982
70.	Williams Cos. Northwest Energy Co.	711.2	1983
71.	Avon Products, Inc. Mallinckrodt, Inc.	709.5	1981
72.	Penn Central Corp. GK Technologies, Inc.	699.6	1981
73.	Marmon Group Trans Union Corp.	683.5	1980
74.	Private - Marvin Davis Twentieth Century-Fox Film Corp.	683.4	1981
75.	Hospital Corp. of America INA Corp. (Hospital Affiliates International)	650.0	1981
76.	Westinghouse Electric Corp. Teleprompter Corp.	645.6	1980
77.	Coca-Cola Co. Columbia Pictures Industries, Inc.	629.7	1982
78.	Cooper Industries, Inc. Gardner-Denver Co.	629.3	1979
79.	Private — Kirk Kerkorian MGM/UA Entertainment Co. (remaining 49.9%) * Kerkorian withdrew offer in January, 1984.	620.7	1983
80.	Imperial Group Ltd. — Britain Howard Johnson Co.	618.5	1979
81.	Aetna Life & Casualty Co. Geosource, Inc. (remaining 71%)	609.7	1982
82.	Sears, Roebuck & Co. Dean Witter Reynolds Organization, Inc.	607.0	1981
83.	A. H. Belo Corp. Dun & Bradstreet Corp. (Corinthian Broadcasting Group)	606.0	1983
84.	Beatrice Foods Co. Northwest Industries, Inc. (beverage business)	600.0	1981
84.	Private Group Du Pont Co. (certain chemical assets)	600.0	1983

# Statutory Merger

	BUYER / **SELLER** ***(In the case of divestitures, the unit sold is identified and appears in parenthesis.)***	**Approximate Price Paid (Millions)**	**Year Announced**
84.	Philadelphia Saving Fund Society General Electric Co. (Family Financial Services)	$ 600.0	1983
#87.	Pittsburgh National Corp. Provident National Corp.	599.0	1982
88.	Boise Cascade Corp. Ebasco Industries, Inc.	598.4	1969
89.	Midland Bank Ltd. — Britain Crocker National Corp. (51%)	595.0	1980
90.	CSR Ltd. — Australia Delhi International Oil Corp.	591.2	1981
91.	Allied Chemical Corp. Eltra Corp.	587.7	1979
92.	Wheelabrator-Frye, Inc. Pullman, Inc.	584.6	1980
93.	R. J. Reynolds Industries, Inc. Del Monte Corp.	583.5	1978
94.	Southland Corp. Occidental Petroleum Corp. (certain assets)	582.0	1983
95.	Johns-Manville Corp. Olinkraft, Inc.	581.2	1978
96.	Superior Oil Co. Canadian Superior Oil Ltd. (remaining 47%)	576.4	1979
97.	Petro-Canada - Canada Phillips Petroleum Co. (its 48% interest in Pacific Petroleum Ltd.)	571.7	1978
98.	Anheuser-Busch Cos. Campbell Taggart, Inc.	570.2	1982
99.	Getty Oil Co. Reserve Oil & Gas Co.	564.5	1979
100.	DPCC Acquisition Corp. Dr. Pepper Co.	558.7	1983

# Statutory Merger

There were more top 100 deals in 1983 than in any other year, with 65% of them occurring during the last three years.

TOP 100 DEALS SINCE 1968

Year	Number	Year	Number
1968	—	1976	2
1969	2	1977	1
1970	1	1978	4
1971	—	1979	13
1972	—	1980	11
1973	—	1981	22
1974	—	1982	16
1975	1	1983	27

COMPOSITION OF ACQUISITION ANNOUNCEMENTS

(Millions of Dollars)

TOTAL DOLLAR VALUE PAID

		Total Dollar Value [Base]		
		1981	1982	1983
	Divestitures	$ 16,695.6[366]	$ 16,050.3[317]	$ 24,173.9[376]
Acquisitions of	Publicly Traded Sellers	56,569.4[156]	31,501.8[176]	39,471.4[181]
	Privately Owned Sellers	8,521.7[581]	5,916.9[420]	8,079.4[500]
	Foreign Sellers	830.9[23]	285.5[17]	1,355.8[20]
	Total	$ 82,617.6[1,126]	$ 53,754.5[930]	$ 73,080.5[1,077]

AVERAGE & MEDIAN PURCHASE PRICE

		Average Purchase Price			Median Purchase Price		
		1981	1982	1983	1981	1982	1983
	Divestitures	$ 45.6	$ 50.6	$ 64.3	$11.4	$12.6	$14.2
Acquisitions of	Publicly Traded Sellers	362.6	179.0	218.1	67.5	65.2	70.8
	Privately Owned Sellers	14.7	14.1	16.2	6.0	5.9	7.3
	Foreign Sellers	36.1	16.8	67.8	3.2	1.9	9.0

Source: W. T. Grimm & Co.

Figure 5.

As indicated in the preceding figure, the total dollar value paid increased in each of the four transaction groupings. Most dramatic were acquisitions of foreign sellers. The dollar total soared 375% from $285.5 million to $1,355.8 million. There were four transactions valued over $100 million in this grouping during 1983, compared to only one such deal in 1982. The four deals of 1983 are

(1) American Express Co.'s acquisition of Trade Development Bank Holding in Switzerland for $550.0 million,

(2) Merck & Co.'s acquisition of a 51% interest in Banyu Pharmaceutical Co. of Japan for $313.5 million,

(3) the purchase of Crusader Insurance in the U.K. by CIGNA Corp. for $123.0 million, and

(4) Consolidated Foods Corp.'s acquisition of the remaining 35% in Douwe Egberts of the Netherlands for $105.0 million.

The sole transaction of 1982 was the purchase of Huntley & Palmer Foods of the U.K. for $168.0 million.

The total dollar value paid for divestitures rose 50% from $16.1 billion to $24.2 billion. As indicated earlier, the 100 Million Dollar Club of 1983 consisted of nine more divestitures than the previous year.

The total dollar aggregate for acquisitions of publicly traded companies advanced from $31.5 billion to $39.5 billion which was still far below the $56.6 billion total tabulated for 1981 which witnessed seven of the top ten deals in history.

Due to the significant increase in purchases of privately held companies, dollars paid for such firms increased from $5.9 billion to $8.1 billion.

The overall increase in the average and the median purchase price was also reflected in each of the four categories.

Even with some of the largest acquisitions taking place in 1983, a distribution of the 1,077 transactions disclosing purchase prices shows that 87% were valued under $100 million.

VALUE OF DEALS
1979 — 1983

	Number (Percent of Deals Disclosing Price)				
Price Paid Value	**1979**	**1980**	**1981**	**1982**	**1983**
$5 million or less	387 (36%)	306 (34%)	308 (35%)	296 (32%)	321 (30%)
$5.1 — 25.0 million	393 (38%)	324 (36%)	433 (38%)	338 (36%)	380 (35%)
$25.1 — 99.9 million	184 (18%)	166 (19%)	192 (17%)	180 (20%)	238 (22%)
$100 million or more	83 (8%)	94 (11%)	113 (10%)	116 (12%)	138 (13%)
	1,047	890	1,126	930	1,077

Source: W. T. Grimm & Co.

Figure 6.

MEDIUM OF PAYMENT

For the first time in ten years, **stock** superseded **cash** and became the dominant form of payment. Furthermore, **combination** payments also outnumbered cash and accounted for the largest proportion of transactions on record.

Based on the 1,108 transactions for which payment data were available, 387 or 35% involved an exchange of **stock,** up from 317 or 29% in 1982. The robust stock market of 1983 enabled corporate acquirers to use their stock rather than internal or borrowed cash.

Combinations of cash, stock and/or debt accounted for 362 or 33% of the transactions, up from 338 or 31% a year earlier. The 1983 percentage of combination payments set another record: it was the highest ever recorded by the WTG Research Department. The majority of combinations are one of two types, cash and notes or cash and stock. Cash and notes are most often used for divestitures, while cash and stock are used for acquisitions.

The cash/stock payment offers advantages to both buyer and seller by combining tax breaks for the seller and minimizing cash outlays for the buyer. The taxable cash portion is usually limited to less than half of the acquisition's purchase price. The stock portion is then tax free or tax deferred to the seller, while the acquirer is able to meet his cash flow needs.

Cash payments, which have been declining every year since 1979, dropped behind both stock and combinations. Cash transactions decreased from 405 or 37% to 350 or 32%.

Debt as a sole payment medium was hardly utilized in 1983, with only nine transactions using straight debt. There were 23 debt transactions in 1982 which represented 2% of all deals disclosing payment methods.

PAYMENT TRENDS
1964 — 1983

	Number (Percent of Deals Disclosing Payment Form)			
Year	**Cash**	**Stock**	**Combination**	**Debt**
1964	1,248 (64%)	702 (36%)	—	*
1965	1,436 (67%)	604 (30%)	85 (3%)	*
1966	1,438 (60%)	802 (35%)	119 (5%)	*
1967	1,077 (36%)	1,783 (60%)	115 (4%)	*
1968	1,314 (29%)	2,762 (62%)	386 (9%)	*
1969	1,667 (32%)	2,945 (57%)	569 (11%)	*
1970	1,023 (29%)	1,834 (52%)	575 (16%)	91 (3%)
1971	961 (32%)	1,441 (49%)	514 (17%)	47 (2%)
1972	1,120 (34%)	1,696 (51%)	475 (14%)	37 (1%)
1973	1,113 (41%)	1,172 (44%)	365 (14%)	36 (1%)
1974	805 (48%)	555 (33%)	259 (16%)	53 (3%)
1975	585 (48%)	325 (27%)	285 (23%)	30 (2%)
1976	656 (52%)	327 (26%)	250 (20%)	22 (2%)
1977	663 (54%)	322 (26%)	224 (18%)	29 (2%)
1978	539 (46%)	353 (30%)	273 (23%)	17 (1%)
1979	654 (53%)	323 (26%)	247 (20%)	9 (1%)
1980	522 (47%)	345 (31%)	237 (21%)	17 (1%)
1981	542 (42%)	448 (34%)	301 (23%)	18 (1%)
1982	405 (37%)	317 (29%)	338 (31%)	23 (2%)
1983	350 (32%)	387 (35%)	362 (33%)	9 (—)

* A separate count for debt payments began in 1970. Prior to 1970, debt was included in cash payments.

Source: W. T. Grimm & Co.

Figure 7.

Historical Note

The exchange of stock which was the primary means of payment from 1967 to 1973, has been declining since 1968. Because the Dow Jones Industrial Average had plunged to a low of 577.60 in 1974, corporate acquirers were no longer able to offer favorable stock packages to prospective sellers. As a result, cash became the dominant form and remained so until 1983.

Stock exchanges increased in each of the four transaction groupings shown in Figure 8, with the strongest showing occurring among acquisitions of publicly traded companies. Stock payments for publicly traded firms numbered 52 or 28% of all such transactions, up significantly from 34 or 19% in 1982. Cash, however, continued to be the preferred method of payment for acquisitions of publicly traded companies.

Contrary to acquisitions of public companies, most purchases of privately held companies are transacted through an exchange of stock. Owners of private concerns choose securities in order to avoid paying a capital gains tax. Unlike a publicly traded concern, where there are many shareholders, a privately/closely held business has one owner or very few holders, usually members of the owner's family. Hence, their concern for tax liability is much greater. Furthermore, in many instances, management/owners remain with the company expecting to contribute to the future growth of the newly merged entity, thereby profiting from the stock's appreciation.

COMPOSITION OF ACQUISITION ANNOUNCEMENTS
PAYMENT BREAKDOWN
1981 — 1983

	Divestitures		
	1981	**1982**	**1983**
Cash	225 (62%)	162 (53%)	113 (45%)
Stock	27 (7%)	20 (6%)	24 (9%)
Combination	105 (29%)	119 (39%)	115 (45%)
Debt	8 (2%)	6 (2%)	2 (1%)
	Acquisitions of Publicly Traded Companies		
Cash	89 (56%)	98 (55%)	94 (51%)
Stock	38 (24%)	34 (19%)	52 (28%)
Combination	31 (19%)	44 (25%)	37 (20%)
Debt	2 (1%)	1 (1%)	1 (1%)
	Acquisitions of Privately Held Companies		
Cash	213 (28%)	137 (24%)	129 (20%)
Stock	379 (50%)	256 (44%)	306 (48%)
Combination	159 (21%)	169 (29%)	202 (31%)
Debt	8 (1%)	16 (3%)	6 (1%)
	Acquisitions of Foreign Sellers		
Cash	15 (60%)	8 (38%)	14 (52%)
Stock	4 (16%)	7 (33%)	5 (18%)
Combination	6 (24%)	6 (29%)	8 (30%)
Debt	— —	— —	— —

Source: W. T. Grimm & Co.

Figure 8.

In comparing the forms of payment with respect to the dollar value of the transaction, we found an increase in exchanges of stock for every dollar value category. Figure 9 provides a method of payment breakdown on four dollar value categories. The numbers and their respective percentages represent only those deals which disclosed both a purchase price and payment form.

FORMS OF PAYMENT
COMPARISON BY VALUE OF DEALS
1979 — 1983

	Price Paid Value of $25 Million or Less				
	1979	**1980**	**1981**	**1982**	**1983**
Cash	340 (49%)	271 (46%)	303 (41%)	203 (39%)	156 (31%)
Stock	230 (33%)	199 (34%)	290 (39%)	151 (29%)	185 (37%)
Combination	114 (17%)	108 (18%)	130 (18%)	153 (29%)	156 (31%)
Debt	5 (1%)	11 (2%)	12 (2%)	15 (3%)	4 (1%)
	$25.1 Million-$50.0 Million				
Cash	60 (67%)	56 (55%)	50 (52%)	32 (41%)	40 (41%)
Stock	13 (15%)	26 (26%)	28 (29%)	18 (23%)	30 (30%)
Combination	15 (17%)	18 (18%)	16 (17%)	26 (33%)	27 (27%)
Debt	1 (1%)	1 (1%)	2 (2%)	2 (3%)	2 (2%)
	$50.1 Million-$100.0 Million				
Cash	42 (62%)	40 (63%)	37 (54%)	36 (50%)	32 (42%)
Stock	10 (15%)	12 (19%)	17 (25%)	11 (15%)	14 (18%)
Combination	15 (22%)	11 (17%)	13 (19%)	25 (35%)	30 (40%)
Debt	1 (1%)	1 (1%)	1 (2%)	— —	— —
	Over $100 Million				
Cash	36 (50%)	35 (44%)	53 (49%)	53 (54%)	48 (42%)
Stock	9 (13%)	21 (27%)	20 (18%)	17 (17%)	23 (21%)
Combination	26 (36%)	22 (28%)	35 (32%)	28 (29%)	43 (37%)
Debt	1 (1%)	1 (1%)	1 (1%)	— —	— —

Source: W. T. Grimm & Co.

Figure 9.

INDUSTRY HIGHLIGHTS

The WTG Research Department classifies merger-acquisition-divestiture announcements into 50 seller-based industry categories. Among the 50 classifications, 32 witnessed increased activity, with acquisitions rising an average 42%, while 15 industries experienced a downturn by an average decline of 24%. Three industry categories remained unchanged.

A ranking of the 50 industry classifications in terms of both the number of transactions and the total dollar value paid appear on page 27 and 28.

Banking & Finance, historically the most active seller grouping of the 50, preserved its primal ranking although its acquisition count dropped 22% from 426 in 1982 to 331 in 1983. At the same time, the total dollar value paid surged 143% from $5.6 billion to $13.6 billion. There were seven banking and finance transactions valued over $500 million during 1983, compared with only one in 1982. The largest banking and finance deal of 1983 was RCA Corp.'s divestiture of C.I.T. Financial Corp. to Manufacturers Hanover Corp. for $1.5 billion, followed by the merger between two Texas bank holding companies, Mercantile Texas Corp. and Southwest Bancshares, Inc. valued at $1.2 billion.

Bank mergers and acquisitions during 1983 involved larger, healthy banks and/or mergers of equals rather than the numerous distress sales of earlier years; hence, the drop in the number of acquisitions and surge in dollars paid. Anticipating the eventual arrival of interstate banking, large regional banks are consolidating in order to compete with the money-center banks, while "second-tier" banks are combining to keep up with the newly merged regionals. The consensus among bank merger participants is that it will take significant size to compete effectively. Because of the rise in costs of attracting and paying for new deposits, profit margins are being squeezed. Acquisitions will enable the banking organizations to capitalize on scale economies. Savings could be achieved through consolidating data processing operations, other back-office operations, even trust management operations. Most important, size will bring higher lending limits and access to the equity and debt markets on more favorable terms.

Acquisitions of companies in Office Equipment & Computer Hardware soared 127%, while activity in Computer Software, Supplies & Services increased 59%, advancing to the third most active industry. Considering the revolution taking place within these industries, the surge in activity is not surprising.

Mergers in Packaging & Containers rose 81% from 16 transactions in 1982 to 29 in 1983. Divestitures accounted for the bulk of the increase. Of the 29 transactions, 20 or 69% were sales of divisions or subsidiaries. A number of packaging and container firms have implemented asset redeployment programs, with an objective of getting out of glass and into plastics. Glass containers' market share of the food, beverage and pharmaceutical industries has been declining since 1977. This emphasis on plastics may also help to explain the increased acquisition pace in Plastics & Rubber with activity advancing 63%.

Oil and Gas mergers totalled 111, up 39% from 80 deals in 1982. The dollar total increased from $9.2 billion to $12.1 billion. Oil companies were acquiring other oil firms to obtain additional oil reserves at bargain prices. Also many energy independents which over-borrowed from eager lenders when oil was still king had no choice but to merge or sell properties in order to survive.

In reviewing the industry classifications which experienced a slowdown in merger activity, Beverages declined the most. Acquisitions fell 65%, from 27 to 11 transactions. Much of the activity during 1982 was concentrated in the brewing industry, as middle-sized brewers acquired other brewers in order to expand geographic market shares and add to the product base. In this way, the new larger brewing companies were better equipped to compete with the top two leaders in the industry.

Because oil and gas exploration has fallen sharply from its 1981 peak, merger-acquisition activity in Energy Services dropped for the second consecutive year. In 1981 Energy Services ranked third with 107 transactions. Acquisitions plunged 70% to 32 (a ranking of 26) in 1982. Activity in 1983 decreased another 34%, with transactions numbering 21 (a ranking of 36).

RANKING OF INDUSTRY CLASSIFICATIONS
NUMBER OF TRANSACTIONS

Rank	Rank	Rank		Number Transactions			Three Year
1981	1982	1983	Industry Classification of Seller	1981	1982	1983	Cumulative
1	1	1	Banking & Finance	335	426	331	1,092
3	2	2	Miscellaneous Services	107	126	135	368
8	8	3	Computer Software, Supplies & Services	87	75	119	281
9	7	4	Oil & Gas	76	80	111	267
2	3	5	Wholesale & Distribution	124	124	107	355
5	4	6	Industrial & Farm Equipment & Machinery	92	90	104	286
7	5	7	Retail	87	86	90	263
14	10	8	Drugs, Medical Supplies & Equipment	55	58	86	199
13	9	9	Electronics	60	63	81	204
10	13	10	Food Processing	69	52	74	195
6	6	11	Insurance	89	81	67	237
20	11	12	Brokerage, Investment & Management Consulting Services	46	56	63	165
16	18	12	Health Services	51	44	63	158
19	17	14	Broadcasting	47	47	60	154
32	32	15	Office Equipment & Computer Hardware	27	26	59	112
15	16	16	Printing & Publishing	54	48	56	158
11	12	17	Chemicals, Paints & Coatings	62	55	55	172
23	23	17	Fabricated Metal Products	39	37	55	131
11	14	19	Instruments & Photographic Equipment	62	51	53	166
28	21	20	Miscellaneous Manufacturing	30	41	51	122
18	15	21	Electrical Equipment	48	49	49	146
16	19	21	Leisure & Entertainment	51	42	49	142
41	30	23	Plastics & Rubber	18	27	44	89
21	24	24	Construction Contractors & Engineering Services	41	34	42	117
24	33	25	Primary Metal Processing	34	25	39	98
25	22	26	Transportation	31	40	36	107
32	19	27	Communications	27	42	33	102
32	34	28	Household Goods	27	22	30	79
37	40	29	Packaging & Containers	23	16	29	68
25	29	30	Real Estate	31	30	28	89
35	37	31	Stone, Clay & Glass	25	17	27	69
46	45	31	Electric, Gas, Water & Sanitary Services	10	12	27	49
30	30	33	Building Products & Materials	28	27	26	81
36	37	34	Apparel	24	17	24	65
30	25	35	Toys & Recreational Products	28	33	23	84
3	26	36	Energy Services	107	32	21	160
28	36	37	Construction, Mining & Oil Field Equipment & Machinery	30	19	20	69
25	46	37	Valves, Pumps & Hydraulics	31	10	20	61
47	44	39	Furniture	8	13	18	39
22	27	39	Mining & Minerals	40	31	18	89
37	37	41	Textiles	23	17	16	56
42	41	42	Aerospace, Aircraft & Defense	17	15	15	47
42	48	43	Agricultural Production	17	8	13	38
48	43	43	Conglomerate	7	14	13	34
39	27	45	Beverages	19	31	11	61
45	41	45	Paper	11	15	11	37
50	47	47	Toiletries & Cosmetics	1	9	10	20
39	34	47	Automotive Products & Accessories	19	22	10	51
44	50	49	Timber & Forest Products	13	5	7	25
48	49	50	Autos & Trucks	7	6	4	17
			Totals	2,395	2,346	2,533	7,274

RANKING OF INDUSTRY CLASSIFICATIONS
DOLLAR VALUE PAID

Rank 1981	Rank 1982	Rank 1983	Industry Classification of Seller	Dollar Value (millions of dollars)		
				1981	1982	1983
4	3	1	Banking & Finance	$ 4,204.4	$ 5,605.3	$13,628.3
1	1	2	Oil & Gas	22,921.6	9,165.5	12,075.8
31	12	3	Transportation	475.3	1,074.4	5,254.6
15	19	4	Broadcasting	1,060.1	787.2	3,747.1
3	2	5	Insurance	7,862.5	5,717.8	2,966.1
2	30	6	Mining & Minerals	10,850.6	355.2	2,946.2
18	4	7	Conglomerate	809.4	3,973.6	2,745.1
11	13	8	Health Services	1,553.4	1,049.4	1,999.4
8	11	9	Leisure & Entertainment	2,150.4	1,082.1	1,797.4
22	8	10	Beverages	748.6	1,880.9	1,548.4
9	6	11	Retail	1,844.4	1,948.1	1,489.0
7	16	12	Brokerage, Investment & Management Consulting Services	2,766.5	860.9	1,455.3
30	42	13	Primary Metal Processing	482.8	167.4	1,340.6
26	27	14	Household Goods	637.9	390.6	1,300.0
37	41	15	Packaging & Containers	235.8	171.8	1,297.5
47	18	16	Textiles	83.9	792.2	1,212.7
5	5	17	Food Processing	3,800.0	3,075.2	1,163.6
10	10	18	Industrial & Farm Machinery & Equipment	1,822.3	1,485.6	1,151.4
14	14	19	Chemicals, Paints & Coatings	1,256.1	1,011.5	1,080.1
21	28	20	Office Equipment & Computer Hardware	754.4	389.1	1,059.9
19	17	21	Miscellaneous Services	801.0	859.8	991.7
23	7	22	Drugs, Medical Supplies & Equipment	707.5	1,915.1	904.1
41	43	23	Printing & Publishing	155.9	129.4	892.9
39	9	24	Aerospace, Aircraft & Defense	164.4	1,577.1	887.4
33	31	25	Real Estate	419.4	303.4	829.3
32	39	26	Computer Software, Supplies & Services	438.7	195.5	666.1
25	15	27	Communications	660.7	929.6	563.2
45	40	28	Construction, Mining & Oil Field Equipment & Machinery	114.3	190.9	548.5
13	45	29	Instruments & Photographic Equipment	1,384.6	80.1	513.8
34	22	30	Electrical Equipment	375.7	603.7	513.1
48	20	31	Electrical, Gas, Water & Sanitary Services	11.6	751.1	511.1
28	26	32	Stone, Clay & Glass	523.0	463.8	499.0
12	24	33	Electronics	1,497.0	552.9	471.9
27	34	34	Construction Contractors & Engineering Services	547.6	256.0	423.3
20	29	35	Wholesale & Distribution	761.3	358.1	364.9
29	47	36	Valves, Pumps & Hydraulics	486.7	65.9	281.6
16	23	37	Paper	923.8	595.4	269.7
46	46	38	Building Products & Materials	96.9	75.2	268.4
49	50	39	Furniture	5.9	39.8	249.4
43	35	40	Agricultural Production	132.6	235.6	204.0
35	48	41	Autos & Trucks	306.5	61.3	173.5
17	32	42	Fabricated Metal Products	821.2	299.3	154.7
38	49	43	Plastics & Rubber	232.6	48.5	148.7
40	36	44	Apparel	156.8	230.8	138.1
50	38	45	Toiletries & Cosmetics	—	203.2	115.3
42	33	46	Miscellaneous Manufacturing	151.2	271.4	91.8
6	21	47	Energy Services	3,303.5	665.2	66.4
44	37	48	Toys & Recreational Products	130.5	203.4	37.3
36	44	49	Automotive Products & Accessories	300.9	109.4	29.0
24	25	50	Timber & Forest Products	685.4	499.8	13.8
			Totals	$82,617.6	$53,754.5	$73,080.5

FOREIGN BUYERS

The number of foreign buyers dropped for the second consecutive year. Acquisitions of American companies by foreign firms in 1983 totalled only 125, the lowest level of activity since the 88 transactions recorded for 1972, the first year in which the WTG Research Department began monitoring foreign purchases. Foreign buyers numbered 154 in 1982 and 234 in 1981.

The widespread recession experienced by foreign economies together with the persistent strength of the U.S. dollar have deterred foreign acquirers. Having had to concentrate on maintaining some level of economic growth in their home businesses, foreign corporations refrained from making U.S. acquisitions, which, in light of the recent exchange rates, are more expensive.

When monitoring foreign acquisitions of American firms, the WTG Research Department includes both foreign purchases of domestic companies and purchases of foreign-based subsidiaries of U.S. corporations. Totals for the last five years are provided below.

	Foreign Purchases of		
Year	U.S. Domestic Companies	Foreign-Based Units of U.S. Companies	Total Foreign Buyers
1979	202	34	236
1980	159	28	187
1981	185	49	234
1982	117	37	154
1983	101	24	125

Source: W. T. Grimm & Co.

Figure 10.

Note the high number of foreign subsidiaries sold by American companies during 1981. During that year the Canadian government instituted a policy of reducing foreign ownership of Canadian energy properties. Canadian-owned energy companies were given certain advantages over foreign-owned concerns. One of the advantages was the subsidization of exploration and development costs. Because such policy actions depressed the value of U.S. energy holdings in Canada, American oil and gas companies sold some or all of their Canadian assets to Canadian concerns.

Based on the 59 transactions disclosing a purchase price during 1983, foreign concerns paid a total of $5.9 billion for American businesses, up slightly from the $5.1 billion tabulated on 81 deals in 1982. The number of $100 million plus deals involving foreign buyers dropped from 15 in 1982 to 10 in 1983. In view of the decline in both the number of transactions providing purchase prices and the number of larger-valued deals, the dollar total's increase to $5.9 billion was largely attributable to one major transaction, namely the $2.4 billion divestiture of Utah International, Inc. by General Electric Co. to Broken Hill Proprietary Co. of Australia. Also note the dollar value paid for 1981. The $18.8 billion aggregate should be regarded as an aberration due to the substantial number of high-priced deals in the natural resources industry. The largest foreign buyer deal that year was the $4.3 billion acquisition of Texasgulf, Inc. by Societe Nationale Elf Aquitaine of France. As indicated earlier, 1981 also witnessed numerous divestitures of Canadian oil and gas holdings by U.S. companies. The price paid values for these transactions averaged about $200 million. The largest such divestiture that year was the $539.5 million purchase of a 25% interest in Suncor, Inc., a Canadian subsidiary of Sun Co., by Ontario Energy Resources Ltd.

FOREIGN ACQUISITIONS OF U.S. COMPANIES
1972 — 1983

Year	Total Transactions	Transactions Valued at $100 million or more	Total Dollar Value Paid (billions of dollars)	Base
1972	88	#	#	
1973	143	#	#	
1974	173	#	#	
1975	184	#	#	
1976	178	5	$ 2.4	87
1977	162	3	3.1	92
1978	199	17	6.3	134
1979	236	11	5.8	142
1980	187	21	7.1	110
1981	234	24	18.8	126
1982	154	15	5.1	81
1983	125	10	5.9	59

# Data not collected in that year.

Source: W. T. Grimm & Co.

Figure 11.

Historical Note

A number of factors stimulated the influx of foreign purchasers during the 1970s. Aside from the fact that foreign corporations are attracted to the relative political and economic stability of the United States, foreign managements also began to utilize acquisition strategies to invest in growth sectors, secure desired diversification, and expand into new markets, and what better market than the world's largest. More important were the effects of U.S. trade deficits which started to appear during the '70s. Anxious about tariff and quota barriers, foreign companies established investments in the U.S. that would provide an entry for their product lines rather than have to export them to this country.

The subsequent figure presents a distribution of foreign buyer transactions by the price paid value along with the average and the median purchase price. The price paid distribution and average/median values for all transactions are also provided for comparative purposes. First, note the 1983 decline in foreign acquisitions valued at $5 million or less, signifying fewer purchases by small and medium-sized firms. Only the larger and stronger foreign companies were able to continue their expansion plans. Also note the sizable difference in the median purchase price between foreign acquisitions and all acquisitions, suggesting that foreign concerns make larger purchases. Because foreign acquirers aim at penetrating the U.S. market, they tend to buy larger companies with established market shares. A fitting illustration is the Huhtamaki Group of Finland which announced three substantial acquisitions in just a few days during the latter part of 1983.

Already a major food, beverage and pharmaceutical corporation in Finland, Huhtamaki wanted a major presence in the U.S. candy market. It expanded its candy operations through the acquisition of Beatrice Foods Co.'s candy operations which produces such brand name products as Clark Bars and Milk Duds and generates annual revenues of $123 million. At the same time Huhtamaki acquired Leaf Confectionery, Inc. with annual sales of $100 million and a product line that includes Whoppers malted milk balls. The third acquisition was the $40 million (annual sales) Donruss Division of General Mills, Inc. which makes bubble gum.

FOREIGN ACQUISITIONS OF U.S. COMPANIES
PRICE PAID DISTRIBUTION
1979 — 1983

	Number (Percent of Transactions Disclosing Price)				
Price Paid Value	**1979**	**1980**	**1981**	**1982**	**1983**
$5 million or less	25(18%)	14(13%)	27(21%)	14(17%)	6(10%)
$5.1 - 25.0 million	63(44%)	43(39%)	44(35%)	23(28%)	20(34%)
$25.1 - 99.9 million	43(30%)	32(30%)	31(25%)	29(36%)	23(39%)
$100 million or more	11(8%)	21(18%)	24(19%)	15(19%)	10(17%)
Average Purchase Price (millions of dollars)	$41.3	$64.3	$149.0	$63.0	$100.5
Median Purchase Price (millions of dollars)	15.6	23.5	15.0	32.4	36.5

PRICE PAID DISTRIBUTION OF ALL ACQUISITIONS

$5 million or less	387(36%)	306(34%)	388(35%)	296(32%)	321(30%)
$5.1 - 25.0 million	393(38%)	324(36%)	433(38%)	388(36%)	380(35%)
$25.1 - 99.9 million	184(18%)	166(19%)	192(17%)	180(20%)	238(22%)
$100 million or more	83(8%)	94(11%)	113(10%)	116(12%)	138(13%)
Average Purchase Price (millions of dollars)	$41.6	$49.8	$73.4	$57.8	$67.9
Median Purchase Price (millions of dollars)	8.5	9.3	9.0	10.5	16.5

Source W. T. Grimm & Co.

Figure 12.

In addition to acquiring larger companies, foreign concerns also tend to purchase American businesses with a strong management team. Since foreign corporations must be able to overcome differences in cultural and business environments, they are more likely than their U.S. counterparts to retain existing management members. Therefore, insisting on friendly takeovers, foreign buyers pay higher premiums.

AVERAGE PREMIUM PAID OVER MARKET COMPARISON OF FOREIGN & ALL ACQUISITIONS

1976 — 1983

	Average Premium Paid Over Market							
	1976	**1977**	**1978**	**1979**	**1980**	**1981**	**1982**	**1983**
Foreign/U.S. Acquisitions	41.6%	49.7%	50.5%	56.9%	55.1%	46.6%	42.1%	45.7%
(Base)	(17)	(38)	(47)	(49)	(32)	(27)	(19)	(12)
All Acquisitions	40.4	40.9	46.2	49.9	49.9	48.0	47.4	37.7
(Base)	(168)	(218)	(240)	(229)	(169)	(166)	(177)	(168)

AVERAGE PRICE/EARNINGS RATIO PAID COMPARISON OF FOREIGN & ALL ACQUISITIONS

1976 — 1983

	Average P/E Ratio Paid							
	1976	**1977**	**1978**	**1979**	**1980**	**1981**	**1982**	**1983**
Foreign/U.S. Acquisitions	12.7X	15.9X	14.0X	20.9X	13.6X	14.4X	15.7X	18.6X
(Base)	(19)	(37)	(45)	(55)	(44)	(33)	(23)	(16)
All Acquisitions	15.1	13.8	14.3	14.3	15.2	15.6	13.9	16.7
(Base)	(200)	(292)	(349)	(333)	(243)	(230)	(193)	(189)

Base: Number of transactions providing necessary data with which to compute average.

Source: W. T. Grimm & Co.

Figure 13.

There were some major foreign takeovers of U.S. Banking & Finance firms during 1983. The Bank of Montreal's proposed acquisition of Harris Bankcorp. for $544.2 million was the second-largest purchase in history of a U.S. bank by a foreign concern. Walter E. Heller International Corp.'s divestiture of its commercial finance subsidiaries to Fuji Bank Ltd. of Japan for $425 million was the largest acquisition consummated to date by a Japanese company. Mitsubishi Bank Ltd., also of Japan, acquired BanCal Tri-State Corp. for $240.3 million which was the sixth largest acquisition in history of a U.S. bank by a foreign concern.

The five largest foreign acquisitions of U.S banks in history are

(1) Britain's Midland Bank Ltd.'s purchase of a 51% interest in Crocker National Corp. for $595 million in 1980,

(2) the $544.2 million acquisition of Harris Bankcorp. by the Bank of Montreal-Canada in 1983,

(3) the $365.1 million purchase of Union Bancorp by Standard Chartered Bank Ltd. of Britain in 1978,

(4) Britain's National Westminster Bank's purchase of a 75.1% interest in National Bank of North America for $300 million. Westminster acquired the interest from C.I.T. Financial Corp. in 1978,

(5) the acquisition of 51% of Marine Midland Banks, Inc. for $262 million by the Hong Kong & Shanghai Banking Corp. in 1978.

INDUSTRIES ATTRACTING FOREIGN BUYERS
1983

Rank 1983	Seller Industry Category	Number of Transactions			
		1981	1982	1983	Three Year Cumulative
1	Chemicals, Paints & Coatings	11	9	10	30
2	Food Processing	9	4	9	22
3	Oil & Gas	16	7	9	32
4	Miscellaneous Services	6	7	8	21
5	Printing & Publishing	12	5	7	24
6	Banking & Finance	13	10	7	30
7	Industrial & Farm Equipment & Machinery	19	7	6	32
8	Brokerage, Investment & Management Consulting Services	3	4	6	13
9	Electronics	2	4	5	11
10	Retail	8	5	5	18
11	Insurance	8	8	5	21
12	Packaging & Containers	5	2	4	11
13	Fabricated Metal Products	4	–	4	8
14	Wholesale & Distribution	12	9	4	25
15	Miscellaneous Manufacturing	6	–	3	9
16	Beverages	2	7	2	11
17	Building Products & Materials	4	–	2	6
18	Drugs, Medical Supplies & Equipment	6	4	2	12
19	Automotive Products & Accessories	6	4	2	12
20	Electrical Equipment	5	3	2	10
21	Office Equipment & Computer Hardware	3	3	2	8
22	Aerospace, Aircraft & Defense	2	2	2	6
23	Mining & Minerals	6	5	2	13
24	Computer Software, Supplies & Services	1	1	2	4
25	Construction Contractors & Engineering Services	4	3	2	9
26	Energy Services	2	–	2	4
27	Health Services	–	4	2	6
28	Leisure & Entertainment	6	2	2	10
29	Textiles	2	1	1	4
30	Paper	2	–	1	3
31	Household Goods	3	3	1	7
32	Plastics & Rubber	3	4	1	8
33	Stone, Clay & Glass	4	2	1	7
34	Construction, Mining & Oil Field Equipment & Machinery	4	1	1	6
35	Instruments & Photographic Equipment	7	4	1	12
36	Agricultural Production	4	1	–	5
37	Apparel	1	2	–	3
38	Timber & Forest Products	3	1	–	4
39	Furniture	–	1	–	1
40	Toiletries & Cosmetics	–	1	–	1
41	Primary Metal Processing	6	3	–	9
42	Valves, Pumps & Hydraulics	1	1	–	2
43	Autos & Trucks	3	–	–	3
44	Toys & Recreational Products	2	–	–	2
45	Transportation	4	3	–	7
46	Communications	1	3	–	4
47	Broadcasting	–	–	–	–
48	Electrical, Gas, Water & Sanitary Services	1	2	–	3
49	Real Estate	2	–	–	2
50	Conglomerate	–	2	–	2
	Totals	234	154	125	513

Since foreign interests are prohibited from owning U.S. broadcasting companies, there are no acquisitions.

Foreign companies hardly ever acquire American conglomerates. Foreign corporate acquisition strategies, instead, stress the purchase of companies producing compatible products which are market leaders as opposed to the acquisition of companies producing a broad range of products.

The foreign buyers of 1983 were headquartered in the following countries. Totals for the previous four years are also provided.

FOREIGN BUYERS
COUNTRY BREAKDOWN

	Number of Acquisitions				
Foreign Purchaser's Country	**1979**	**1980**	**1981**	**1982**	**1983**
Great Britain	60	50	81	55	42
Canada	50	57	62	36	28
France	18	20	14	12	7
Switzerland	16	7	6	7	7
Netherlands	11	6	8	5	7
Japan	11	9	9	4	6
Australia	5	2	7	2	6
Finland	2	1	–	–	5
Italy	1	1	4	1	5
Sweden	4	8	7	4	3
West Germany	37	14	14	6	2
Bermuda	–	–	–	–	1
Israel	1	–	2	–	1
Kuwait	–	1	1	1	1
New Zealand	–	–	–	1	1
Norway	–	1	–	–	1
Puerto Rico	–	–	1	–	1
Venezuela	1	–	–	–	1
Other Countries	19	10	18	20	–
Total Foreign Buyers	236	187	234	154	125

Source W. T. Grimm & Co.

Figure 14.

Among the countries that appeared on last year's list, only four, the Netherlands, Japan, Australia, and Italy, made more acquisitions than the previous year. Of the six Australian purchases, four were of Australian subsidiaries of U.S. based companies, while four of the five Italian acquisitions were of Italian and/or European operations of American companies.

Two Japanese acquirers initiated the third and fourth largest foreign buyer deals of 1983. Both Fuji Bank Ltd. and Mitsubishi Bank Ltd. acquired major U.S. financial institutions.

Following a two-year absence, Finland returned aggressively with five acquisitions, three of which were the candy-company purchases by the Huhtamaki Group discussed earlier.

Excluding these slight gains in activity, foreign acquisitions by the major countries have declined in the last few years. West German acquisitions of American companies, for instance, have plummeted from 37 in 1979 to only two transactions in 1983. After discussing the decline with German bankers based in the U.S., it appears these professionals felt that many of the German acquirers were ill-advised and too eager to enter the American marketplace, resulting in overpriced acquisitions that have not met the expectations of the buyers.

Another country which has withdrawn from the U.S. merger scene on a large scale is Canada. Canadian acquisitions of U.S. companies have plunged 55% since 1981, a far different picture from the late '70s when Canadian corporate purchases grew from 45 in 1977 to 62 in 1981. Like their American counterparts, Canadian acquirers were also motivated by soaring inflation which enhanced replacement costs, thereby making it cheaper to buy than to build. However, Canadian buyers had an added incentive, overgenerous bank lending.

Preferring the potentially larger profits from loans to big corporate customers, Canadian banks were eager to enter the takeover financing business. Many of the loans were extended to purchasers of American real estate, while the majority of corporate takeover loans financed acquisitions of companies in natural resources. The unexpected drop in oil and metal prices and the collapse of the U.S. real estate market abruptly resulted in numerous acquisitions which undoubtedly did not satisfy the prospective investment goals of the acquirers. Moreover, when interest rates reached double-digit levels, the corporate borrowers found themselves with little or no cash to service their enormous debt. At the same time, lenders, fearing default, had no choice but to restructure the debt

Due to the unsuccessful results experienced by a number of foreign acquirers coupled with the robust U.S. dollar and the weakened state of economies overseas, foreign buyers have, no doubt, adopted a more cautious and selective approach when pursuing acquisition candidates today.

The 59 foreign buyer transactions disclosing a purchase price during 1983 are listed in descending order by the price paid value on the next few pages.

FOREIGN ACQUISITIONS OF U.S. COMPANIES
1983

Foreign Buyer [business and/or product line]	**Seller** (if applicable, unit sold) [business and/or product line]	**Approximate Price Paid *(millions)***
*1. **Broken Hill Proprietary Co. — Australia** [natural resources]	**General Electric Co.** (Utah International, Inc.) [leading producer of metallurgical coal in Australia]	$2,400.0
*2. **Bank of Montreal — Canada** [Canada's third largest bank]	**Harris Bankcorp.** [bank holding: thirty-third largest bank in U.S.]	544.2
3. **Fuji Bank Ltd. — Japan** [Japan's second largest bank]	**Walter E. Heller International Corp.** (Walter E. Heller & Co. and Walter E. Heller Overseas Corp.) [commercial finance]	425.0
*4. **Mitsubishi Bank Ltd. — Japan** [twelfth largest bank in world]	**BanCal Tri-State Corp.** [banking: California, Washington, and Oregon]	240.3
5. **Rowntree Mackintosh PLC — Britain** [foods]	**General Mills, Inc.** (Tom's Food) [snack foods]	215.0
6. **Seagram Co. — Canada** [distiller]	**Coca-Cola Co.** (Wine Spectrum) [Sterling & Monterey vineyards and Taylor Wine Co.]	200.0
7. **Blue Circle Industries Group — Britain** [Britain's largest cement maker]	**Martin Marietta Corp.** (4 cement plants) [cement plants in Oklahoma, Alabama, Iowa and Georgia]	150.0
8. **CCL Industries Ltd. — Canada** [household sprays, cleaning agents]	**Continental Group, Inc.** (Canadian packaging business)	130.0
9. **Toronto Sun Publishing Corp. — Canada**	**H & C Communications** (Houston Post newspaper)	100.0
10. **Ultramar PLC — Britain** [oil]	**Pittston Co.** (Pittston Petroleum, Inc.) [fuel oil subsidiary]	100.0
*11. **Allied Irish Banks Ltd. — Ireland**	**First Maryland Bancorp** (43% acquired) [bank holding]	95.0
12. **Private Group — Canada** [led by Peter D. Kyle, chairman & CEO of division sold]	**Manville Corp.** (Johns-Manville Canada, Inc.) [asbestos mine]	94.8
13. **Sandoz Ltd. — Switzerland** [chemicals - pharmaceuticals]	**Martin Marietta Corp.** (Sodyeco division) [makes dyes & organic chemicals]	72.0
14. **Beecham Group PLC — Britain** [pharmaceuticals - animal health prdts.]	**Schering-Plough Corp.** (Dap, Inc.) [specialty paints, caulking & other prdts.]	70.0
15. **Charterhouse Petroleum — Britain**	**Fluor Corp.** (most foreign oil & gas holdings)	66.0
*16. **Extendicare Ltd. — Canada** [nursing homes - diagnostic services]	**Unicare Services, Inc.** [nursing homes - health care services]	64.2
17. **International Thomson Organization Ltd. — Canada** [publishing - travel - oil/gas]	**Otis Communications, Inc.** (American Banker, Inc. and Bond Buyer) [financial publications]	58.0
18. **Istituto Bancario San Paolo di Torino — Italy** [Italy's fifth largest bank]	**First Los Angeles Bank** (85% acquired)	56.1
*19. **Royal Insurance PLC — Britain**	**Silvey Corp.** [insurance & financial services hldg.]	50.7

Foreign Buyer [business and/or product line]	**Seller** (if applicable, unit sold) [business and/or product line]	**Approximate Price Paid** ***(millions)***
***20. Aachener & Muenchener Beteiligungs AG — West Germany**	**Academy Insurance Group, Inc.** (20% acquired) [accident, health & life insurance]	**$ 44.0**
***21. United Newspapers PLC — Britain** [publisher provincial newspapers]	**Gralla Publications, Inc.** [publisher trade magazines]	**44.0**
22. Extendicare Ltd. — Canada [nursing homes]	**Computer Corp. of America**	**40.0**
***23. Weeks Petroleum Ltd. — Bermuda**	**Energy Minerals Corp.** [oil/gas prod'n. & expl'n]	**39.7**
24. Thomson-Jensen Energy — Canada	**Global Natural Resources, Inc.** (Global Arctic Islands Ltd. - Canada) [oil & gas]	**39.3**
***25. Grand Metropolitan Ltd. — Britain** [conglomerate]	**Children's World, Inc.** [child care centers]	**35.4**
26. Western Mining Corp. Holdings Ltd. — Australia	**Mesa Petroleum Co.** (Mesa Australia Ltd.)	**35.4**
***27. Aitken Hume Holdings PLC — Britain** [financial services]	**National Securities & Research Corp.** [investment advisor for mutual funds & private pension funds]	**34.3**
28. RIT & Northern PLC — Britain	**L. F. Rothschild, Unterberg, Towbin** (25% acquired) [investment banking]	**33.5**
29. Mayne Nickless Ltd. — Australia	**Purolator, Inc.** (armored-car business)	**33.0**
30. Hawley Group PLC — Britain	**Security Corp. of America** (40% acquired) [security services & bldg. maintenance services]	**33.0**
***31. Anderson Strathclyde PLC — Scotland** [mining mchy. & eqpt.]	**National Mine Service Co.** (51% acquired) [mfrs. mining mchy.]	**32.1**
32. Imperial Chemical Industries PLC — Britain	**Tenneco** (agricultural division of Albright & Wilson Ltd.) [fertilizers & agrochemicals]	**30.0**
33. Spirax-Sarco Engineering PLC — Britain [makes prdts. for control of steam & fluids]	**White Consolidated Industries, Inc.** (Sarco Co.) [makes steam traps, temperature & pressure regulators & strainers]	**29.9**
34. Cooperative Condensfabriek "Friesland" W.A. — Netherlands	**McKesson Corp.** (international dairy group)	**25.0**
35. Societe Generale de Surveillance Holding S.A. — Switzerland	**GEO International Corp.** (Commercial Testing & Engineering Co.) [coal testing labs & coal sampling]	**23.0**
36. Royal Reinsurance Co. — Britain	**Marsh & McLennan Cos.** (American Overseas Group) [insurance underwriter]	**23.0**
***37. J. Sainsbury PLC — Britain** [Britain's largest food retailer]	**Shaw's Supermarkets, Inc.** (20% acquired) [New England grocery chain]	**20.1**
38. Racal Electronics PLC — Britain	**Megapulse, Inc.** [makes radio-navigational systems & related high-tech prdts.]	**20.0**
***39. Nationale-Nederlanden N.V. — Netherlands**	**Excelsior Insurance Co.** [property-casualty insurance]	**19.0**
40. Banque Nationale de Paris — France	**Sunwest Bank of Tustin, CA**	**15.0**

Foreign Buyer [business and/or product line]	**Seller** (if applicable, unit sold) [business and/or product line]	**Approximate Price Paid** ***(millions)***
41. Lake Co. — Japan	**Imperial Bancorp** (Imperial Thrift & Loan Association) [S & L in Beverly Hills, Ca]	**$ 14.0**
42. Minas Basin Pulp & Power Co. — Canada [groundwood pulp & paperboard]	**Stokely-Van Camp, Inc.** (Stokely-Van Camp of Canada, Inc.) [foods]	**13.0**
43. F. Hoffman-La Roche & Co. — Switzerland [pharmaceuticals]	**American Diagnostics Corp.** [medical diagnostic kits]	**12.7**
***44. Bacardi Corp. — Puerto Rico** [distills & bottles rum]	**Lloyd's Electronics, Inc.** [wholesale audio entertainment]	**11.4**
45. The Corp. of Lloyd's — Britain [handles services for Lloyd's of London Insurance Exchange]	**Getty Oil Co.** (Toplis & Harding, Inc.) [insurance claims adjusting]	**10.0**
46. Saatchi & Saatchi PLC — Britain [Britain's largest advertising agency]	**McCaffrey & McCall, Inc.** [advertising]	**10.0**
47. Goldale Investments Ltd. — Canada	**Edward A. Vinner & Co.** [securities brokerage]	**10.0**
48. Elscint Ltd. — Israel [medical diagnostic systems]	**Xonics, Inc.** (Medical Systems) [X-ray sales & services]	**10.0**
***49. Minebea Co. — Japan**	**IMC Magnetics Corp.** (remaining 44% acquired) [makes specialty motors, fans & blowers used in computer industry]	**9.4**
***50. Alfa-Laval AB — Sweden** [milking machines]	**Florida Capital Corp.** [mfrs. & leases meat processing & weighing mchy.]	**8.3**
***51. Elmont Industries Ltd. — Canada**	**Kapok Tree Inns Corp.** [operates four restaurants]	**7.3**
52. B.E.T. Group — Britain	**Cardiff Communications, Inc.** (Cardiff Publishing Co.) [trade magazine publisher]	**7.0**
53. Bowthorpe Holdings PLC — Britain [accessories & parts for the electronics & telecommunications industries]	**Tempo Instruments & Controls Corp.** [designs & makes control devices & power supplies for ind'l & military use]	**6.5**
***54. Caland Holdings N.V. — Netherlands** [investment co.]	**American Well Servicing Corp.** (16% acquired) [rigs, crews for oil/gas producers]	**4.8**
55. Portals Holding PLC — Britain	**Chromalloy American Corp.** (L-A Water Treatment division) [designs & fabricates water purification systems]	**4.0**
56. Private Group — Canada [employees of unit]	**Advanced Computer Techniques Corp.** (ACT Computer Services Ltd.) [data processing bureau in Edmonton, Canada]	**3.6**
***57. Private Group — Canada** [headed by Robert M. Cezar and Robert H. Cook]	**Hiller Aviation, Inc.** (to acquire 70%) [mfrs. helicopters]	**3.0**
58. Shadowfax Resources Ltd. — Canada [oil/gas expl'n., development & prod'n.]	**Wetzel Resources Exploration** [oil/gas exploration]	**1.3**
59. Noma Industries Ltd. — Canada [electrical extension cords & flexible wire]	**Noma-Worldwide, Inc.** [mfrs. & dstrs. Christmas lights & decorations]	**1.2**

*Acquisitions appear with more details in the Transaction Roster on page 106.

FOREIGN SELLERS

American acquisitions of foreign businesses increased for the second consecutive year, rising 21% from 121 in 1982 to 146 in 1983. American buyer-foreign seller deals have been fairly constant from 1976 to 1981 averaging about 109 transactions a year.

Historical Note

Prior to 1976, U.S. purchases of foreign companies plunged 66% from 531 in 1972 to 178 in 1975. Having traditionally invested capital and technology during the 1960s to develop industries in other nations, the United States entered the '70s only to confront a variety of domestic economic problems requiring the full attention and diligence of American companies. Rising inflation, recession, tight money, lower earnings, growing unemployment, mounting Federal deficits, all forced U.S. corporate managements to concentrate on ensuring economic survival of their businesses. Furthermore, the weakened dollar and a flurry of nationalizations of foreign investments in certain countries hindered any further American investments abroad.

U.S. ACQUISITIONS OF FOREIGN COMPANIES

1972 — 531
1973 — 323
1974 — 257
1975 — 178
1976 — 126
1977 — 112
1978 — 98
1979 — 119
1980 — 102
1981 — 101
1982 — 121
1983 — 146

Source: W. T. Grimm & Co.

Figure 15.

(The WTG Research Department started monitoring U.S./foreign activity in 1972.)

While the strength of the U.S. dollar deterred foreign buyers in the last two years, it has simultaneously created an opportune time for American companies to expand overseas. The same dynamics underlying the influx of foreign buyers during the '70s, specifically falling exports and rising labor costs, are apparently prompting U.S. concerns to acquire foreign firms. The depressed state of U.S. exports coupled with relatively higher labor costs have led some American companies, particularly those in the industrial goods sector, to purchase manufacturing facilities overseas. Note the increase in U.S./foreign activity in the Industrial & Farm Equipment & Machinery and the Primary Metal Processing classifications below.

INDUSTRIES ATTRACTING AMERICAN BUYERS

		Number of Transactions			
Rank 1983	**Seller Industry Category**	**1981**	**1982**	**1983**	**Three Year Cumulative**
1	Miscellaneous Services	10	12	13	35
2	Drugs, Medical Supplies & Equipment	2	9	8	19
3	Industrial & Farm Equipment & Machinery	4	2	8	14
4	Wholesale & Distribution	6	5	8	19
5	Banking & Finance	5	7	8	20
6	Chemicals, Paints & Coatings	6	2	6	14
7	Office Equipment & Computer Hardware	4	1	6	11
8	Food Processing	5	4	5	14
9	Primary Metal Processing	1	1	5	7
10	Oil & Gas	2	5	5	12
11	Construction Contractors & Engineering Services	1	2	5	8
12	Plastics & Rubber	–	1	4	5
13	Fabricated Metal Products	3	5	4	12
14	Valves, Pumps & Hydraulics	5	3	4	12
15	Electrical Equipment	4	7	4	15
16	Miscellaneous Manufacturing	2	2	4	8
17	Electrical, Gas, Water & Sanitary Services	–	–	4	4
18	Insurance	6	7	4	17
19	Apparel	1	1	3	5
20	Printing & Publishing	1	2	3	6
21	Toiletries & Cosmetics	–	2	3	5
22	Electronics	3	5	3	11
23	Instruments & Photographic Equipment	4	8	3	15
24	Computer Software, Supplies & Services	2	4	3	9
25	Leisure & Entertainment	–	–	3	3
26	Packaging & Containers	–	3	2	5
27	Stone, Clay & Glass	2	2	2	6
28	Retail	5	1	2	8
29	Brokerage, Investment & Management Consulting Services	1	4	2	7
30	Agricultural Production	3	1	1	5
31	Beverages	2	1	1	4
32	Textiles	–	–	1	1
33	Paper	2	2	1	5
34	Household Goods	–	–	1	1

INDUSTRIES ATTRACTING AMERICAN BUYERS—(Continued)

Rank 1983	Seller Industry Category	Number of Transactions 1981	1982	1983	Three Year Cumulative
35	Construction, Mining & Oil Field Equipment & Machinery	2	1	1	4
36	Automotive Products & Accessories	–	1	1	2
37	Aerospace, Aircraft & Defense	–	–	1	1
38	Toys and Recreational Products	1	2	1	4
39	Transportation	–	1	1	2
40	Broadcasting	–	1	1	2
41	Conglomerate	–	1	1	2
42	Timber & Forest Products	–	–	–	–
43	Furniture	–	–	–	–
44	Building Products & Materials	–	–	–	–
45	Autos & Trucks	1	–	–	1
46	Mining & Minerals	2	–	–	2
47	Communications	3	–	–	3
48	Real Estate	–	1	–	1
49	Energy Services	–	2	–	2
50	Health Services	–	–	–	–

Miscellaneous Services has almost always attracted the highest number of American buyers whose main objective is to expand markets for their services. Therefore, it is not surprising that the most common acquisitions in this industry classification are of advertising agencies. Growth strategies for American advertisers largely entail the acquisition of, or minority interest purchases in, advertising agencies located in major foreign markets.

FOREIGN SELLERS
COUNTRY BREAKDOWN

	Number of Acquisitions				
Foreign Seller's Country	**1979**	**1980**	**1981**	**1982**	**1983**
Great Britain	35	38	27	30	39
Canada	15	15	8	30	35
West Germany	10	7	11	12	13
Switzerland	1	2	1	10	11
France	17	8	12	8	8
Netherlands	4	3	6	3	8
Italy	4	2	3	2	6
Australia	6	7	7	6	3
Japan	2	—	—	3	3
Spain	7	5	3	—	3
Brazil	2	3	4	2	2
Puerto Rico	—	—	1	1	2
Taiwan	1	—	1	—	2
Argentina	1	—	2	—	1
Austria	1	—	1	2	1
Belgium	1	1	1	2	1
Denmark	2	—	1	—	1
Finland	—	—	—	—	1
Haiti	—	—	—	—	1
Hong Kong	2	—	—	4	1
Mexico	2	3	4	1	1
Sri Lanka (Ceylon)	—	—	—	—	1
Sweden	1	1	2	—	1
Venezuela	—	—	2	—	1
Other Countries	5	7	4	5	—
Total Foreign Sellers	119	102	101	121	146

Source: W. T. Grimm & Co.

Figure 16.

Although the number of American/Japanese acquisitions remained unchanged from 1982, a significant trend is developing, especially when viewing activity over the last five years. Japanese companies are becoming more receptive to U.S. overtures. The second largest American buyer-foreign seller transaction of 1983 was in fact the purchase of a controlling interest in a major Japanese company, an improbable event, considering the disdain Japanese have for acquisitions. Merck & Co.'s purchase of a 51% interest in Banyu Pharmaceutical Co., one of the ten largest pharmaceutical companies in Japan, signaled a turning point in U.S.-Japanese corporate relations.

The reason for Japan's increasing acceptance of company purchases is economic. Faced with strong competition at home from larger Japanese companies, many small and medium-sized Japanese firms are struggling. The alternatives are to merge with the larger Japanese company or unite with a foreign company. The competition is especially keen in the Japanese drug industry. Japanese drug companies are besieged with government-ordered price cuts in order to control health costs.

The two remaining U.S./Japanese acquisitions of 1983 were in the chemical and computer industries. Air Products & Chemicals, Inc. acquired 10% of Daido Oxygen Co. and IBM acquired 35% of Japan Business Computer Co. Over-capacity in the chemical industry is causing an industry-wide shakeout, while additional capital and R&D capability are required to effectively compete in the ever-changing computer industry. The fact that U.S./Japanese acquisitions are for only partial interests is proof of some hesitancy by Japanese companies.

All 41 foreign seller transactions which provided a purchase price are listed on the next few pages. Note the largest acquisition, the takeover of a Swiss bank holding company with assets of over $5 billion. In view of the intense merger activity within the banking industry both at home and abroad, the search for bank acquisitions is becoming an international corporate strategy.

AMERICAN ACQUISITIONS OF FOREIGN COMPANIES
1983

Buyer [business and/or product line]	Foreign Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*
1. **American Express Co.** [travel & investor services - insurance - banking]	**Trade Development Bank Holding S.A. — Switzerland**	$ 550.0
2. **Merck & Co.** [ethical drugs - fine chemicals]	**Banyu Pharmaceutical Co. — Japan** (51% acquired) [one of the ten largest pharmaceutical companies in Japan]	313.5
3. **American Telephone & Telegraph Co.** [nat'l., int'l. telecomm. svs.]	**Olivetti (Ing. C.) & Co. — Italy** (acquired 25%) [office eqpt.]	260.0
4. **Monsanto Co.** [leading diversified chemical co.]	**General Electric Co. PLC — Britain** (remaining 33.5% of Fisher Controls Int'l., Inc.) [valves, regulators]	178.0
5. **Great Western Financial Corp.** [S & L - California]	**CanWest Capital Corp. — Canada** (Aristar Inc.) [insurance, consumer finance, mortgage banking]	170.0
6. **CIGNA Corp.** [insurance holding]	**Crusader Insurance PLC — Britain**	123.0
7. **Celanese Corp.** [fibers - chemicals - plastics]	**Imperial Chemical Ind. PLC — Britain** (remaining 37.5% in Fiber Industries Inc.) [polyester yarns & fibers]	119.0
8. **Custer Resources Corp.** [oil and gas]	**Canadian Natural Resources Ltd. — Canada** (CNR Resources Inc./U.S.) [oil & gas]	105.0
9. **Consolidated Foods Corp.** [processed foods - consumer prdts.]	**Douwe Egberts — Netherlands** (remaining 35%) [coffee, tea & tobacco prdts.]	105.0
10. **Florida National Banks of Florida Inc.** [multiple bank holding]	**Royal Trustco Ltd. — Canada** (Royal Trust Bank Corp.) [Florida banking unit]	80.0
11. **Blair (John) & Co.** [graphics – broadcasting]	**Telemundo Inc. — Puerto Rico** [licensee of WKAQ-TV, Channel 12 San Juan]	55.0
12. **Universal Fuels Co.** [oil/gas U.S. & Canada]	**Programmed Neuro Cybernetics PLC — Britain** [develops techniques for locating mineral deposits]	49.0
13. **Lincoln National Corp.** [insurance holding]	**Trans Atlantic Insurance Co. — Britain** (acquired 25%) [holding co. – insurance & R.E.]	45.6
14. **Chase Manhattan Corp.** [multiple bank holding]	**Nederlandse Credietbank — Netherlands** (remaining 68.5%) [Netherlands' fourth largest bank]	43.2
15. **Riggs National Corp.** [bank holding: Riggs Nat'l. Bk]	**Norwich Union Life Insurance Society — Britain** (A. P. Bank of London)	37.5
16. **Compo Industries Inc.** [manufactures carpet tiles]	**Van Heugten B. V. — Netherlands** [leather - shoe & apparel machinery - adhesives - chemical compounds]	32.0
17. **Citicorp** [bank holding - New York]	**Vickers da Costa (Holdings) PLC — Britain** (acquired 29.9%) [brokerage]	29.7
18. **Scott Paper Co.** [largest manufacturer of tissues, paper towels]	**Burgo Scott S.P.A. — Italy** (remaining 50%)	28.2
19. **Tampax Inc.** [feminine hygiene prdts.]	**Arbora Fibrex Group — Spain** (acquired 50%) [makes sanitary protection prdts]	17.2

Buyer [business and/or product line]	**Foreign Seller** (if applicable, unit sold) [business and/or product line]	**Approximate Price Paid** ***(millions)***
20. **Denny's Inc.** [restaurants & donut shops]	**Trust House Forte PLC — Britain** (78 Colony Kitchen family restaurants)	$ 13.6
21. **Hasbro Industries Inc.** [toys & games]	**Guinness (Arthur) & Sons PLC — Britain** (Glenco Infant Items Inc.) [largest bib producer in world - infant necessities]	13.3
22. **Control Data Corp.** [computer svs./eqpt. - financial co.]	**Systime PLC — Britain** (acquired 40%) [makes computers & related prdts.]	13.0
23. **Basic Resources Corp.** [oil/gas expl. - toll collection eqpt.]	**Brown (R. J.) & Associates Corp. A. G. — Switzerland** [engineering & construction services for offshore pipelines]	12.8
24. **TIE/Communications Inc.** [telephone systems]	**Plessey Co. — Britain** (Plessey Canada Ltd.) [designs & makes advanced telephone-switching systems]	11.5
25. **Kaman Corp.** [helicopters - bearings - aerospace]	**York Russell Inc. — Canada** (Tek Bearing Co.)	10.0
26. **Waste Management Inc.** [solid/chemical waste mgmt. svs.]	**Belgium Standard Ltd. — Canada** (Sanitary Refuse Collectors, Inc.)	9.0
27. **Dover Corp.** [elevators - autolifts - valves - food processing eqpt.]	**Dek Printing Machines Ltd. — Britain** (acquired 95%) [makes film-printing eqpt. for electronic circuits & circuit eqpt.]	9.0
28. **Bowne & Co.** [financial printer]	**Plow & Watters - Canada** (acquired 80%) [financial printer]	8.2
29. **Ransburg Corp.** [automated welding, assembly & test eqpt. - gaging eqpt.]	**Balzer & Droell G.m.b.H. — Germany** [automated eqpt. for making electric motors]	6.7
30. **Tampax Inc.** [feminine hygiene prdts.]	**Grupo R. G. — Mexico** (acquired 49%) [personal-care prodts.]	6.5
31. **Landmark Land Co.** [land dev. - bldg. mtls. dstr.]	**Olympia & York Developments Ltd. — Canada** (Mission Hills Corp.) [golf & tennis club]	5.3
32. **Alco Standard Corp.** [distribution - mfg. - coal]	**Skyes (Henry) PLC — Britain** (acquired 90%) [pumps & eqpt.]	5.0
33. **Genrad Inc.** [electronic instruments & systems]	**Cirrus Sigma Ltd. — Britain** (remaining 75%) [software for engineering applications]	4.2
34. **Reeves Communications Corp.** [TV & film production]	**Reed International PLC — Britain** (Odhams Mail Order business) [literary prdts.]	4.1
35. **Ran Energy Inc.** [oil & gas expl. & dev.]	**First Houston Oil & Minerals Ltd. — Canada** (Rebel Minerals Inc.) [oil & gas properties]	4.0
36. **Butler Mfg Co.** [pre-engineered bldgs. - agric. eqpt. - under floor elec'l. distribution systems]	**Multitrol Inc. — Canada** [designs & installs energy-mgmt. systems in U.S. & Canada]	4.0
37. **Rorer Group Inc.** [health prdts.]	**Lasertek OY — Finland** [makes lasers for opthalmic & orthopedic surgeons & other specialists]	3.0
38. **Recognition Equipment Inc.** [optical character recognition systems]	**NABU Manufacturing Corp. — Canada** (Consolidated Computer Int'l. Inc.) [multiple data entry systems]	2.7

Buyer [business and/or product line]	**Foreign Seller** (if applicable, unit sold) [business and/or product line]	**Approximate Price Paid** ***(millions)***
39. **Everest & Jennings Int'l.** [wheel chairs - medical eqpt.]	**Micro-Motor A.G. — Switzerland** (majority interest) [mfrs. special-purpose electric motors for use in medical eqpt.]	$ 2.6
40. **Thermo Electron Corp.** [process eqpt. & instruments for energy-intensive metal-proc. furnaces]	**Peter Brotherhood PLC — Britain** (remaining 93%)	1.0
41. **Central Corporate Reports Service Inc.** [financial public relations]	**McSilben Inc. — Canada** [molds - hotel guest guide - water purification systems]	0.4

ACQUISITION LEADERS

The WTG aggressive buyer roster for 1983 contained 33 companies, each one acquiring five or more concerns. They accounted for a grand total of 193 acquisitions. This compares with 153 acquisitions by 25 aggressive buyers during 1982. The 1981 roster listed 37 companies contributing a total of 267 purchases.

All but six of the entries on the 1983 list were newcomers. The six returning aggressive acquirers were Metromedia, Inc.; American Hospital Supply Corp.; Merrill Lynch & Co.; Security Pacific Co.; American Express Co.; and Esmark, Inc.

The 33 aggressive buyers of 1983 and the respective numbers of known acquisition proposals initiated by each are indicated below.

AGGRESSIVE BUYERS
1983

Company	Number of Acquisitions	Types of Businesses Acquired
Healthdyne, Inc.	8	manufacturers & distributors of medical equipment & prdts. - home health care services
Metromedia, Inc.	8	radio common carriers - cellular communications - pagers - TV stations
Wesray Corp.	8	lawn & garden equipment - glass containers - government services - dstr. of pipes & valves - electrical appliances
Allied Bancshares, Inc.	7	banking
American Plan Corp.	7	insurance - export packaging & freight forwarding
McKesson Corp.	7	computer software - dstr. of drugs - service merchandiser - food catering
Security Pacific Corp.	7	banking - brokerage
Alco Standard Corp.	6	wholesale dstrs. of a variety of prdts. - mfr. of valves - ice-making equipment mfr.
Control Data Corp.	6	vocational schools - factoring - trade publications - office eqpt. - electric power units
Doyle Dane Bernbach	6	advertising
Emhart Corp.	6	mfr. of inspection eqpt. for glass containers - mfr. of architectural hardware - insole materials for footwear - chip placement machinery
First Arkansas Bankstock	6	banking
General Electric Corp.	6	insurance - computer technology - aircraft leasing - nuclear magnetics - railcar leasing
General Signal Corp.	6	electronics
Mellon National Corp.	6	banking
Merrill Lynch & Co.	6	real estate brokers/agents - S & L - options clearing
Union Carbide Corp.	6	chemicals - plastics - home health care centers
Victoria Bankshares	6	banking
Allegheny Beverage Corp.	5	food services - laundry services - vending

AGGRESSIVE BUYERS—(Continued)

Company	Number of Acquisitions	Types of Businesses Acquired
Amedco, Inc.	5	funeral supplies - medical prdts. - silk flowers - electronics
American Express Co.	5	banking - brokerage services - investor services - financial consulting
American Hospital Supply Corp.	5	manufacturers & distributors of medical equipment & prdts. - high-purity chemicals
CIGNA Corp.	5	insurance - computer software
Esmark, Inc.	5	diversified mfr. of consumer prdts. - dairy prdts. - dstr. of toiletries - investment castings
Foote Cone & Belding	5	advertising
Goodyear Tire & Rubber Co.	5	oil & gas - plastics - engineering - hydraulic hose assemblies
Harris Bankcorp.	5	banking
Laidlaw Industries, Inc.	5	waste management services
Microbiological Science	5	microbiological prdts.
Penn Central Corp.	5	oil/gas - batteries - railroad - propane retailing - electronics
Syncom Corp.	5	jewelry - giftware - florists - specialty packaging
Trust Co. of Georgia	5	banking
United Technologies, Inc.	5	military systems engineering - administrative support services - printing ink - electronics

Source: W. T. Grimm & Co.

Figure 17.

A listing of the most aggressive acquirers over a five-year cumulative period appears in the subsequent table. Some observations include the following:

* The list consists of 34 companies which made a total of 678 acquisitions since 1979, representing 6% of all merger and acquisition activity over the last five years.

* Among the 34, there are a total of seven bank holding companies, of which five are based in Texas. The five Texas concerns are Allied Bancshares, Southwest Bancshares, First City Bancorp, Mercantile Texas, and Texas American Bancshares. The sixth and seventh banking firms are Banc One Corp. of Ohio and Security Pacific of California which has established a position in the securities business.

* Second-ranked Merrill Lynch, while further expanding into securities brokerage, has also been diversifying into real estate brokerage, insurance, and other financial services.

* Third-ranked W. R. Grace & Co., a well-known conglomerate with most of its acquisitions concentrated in 1979 and 1980, has been expanding into the then profitable oil field services industry.

* General Electric, the fourth acquisition leader, also ranked fourth on the five-year aggressive divester roster (page 57). With heavy R&D investments and an accelerated rate of acquisitions and divestitures, General Electric has been shifting its businesses toward high-technology products and high-growth services. The company says its goal is to be the world leader in factory automation.

* American Express, ranking fifth, has been busy assembling a complete financial supermarket. Through its 1981 acquisition of Shearson Loeb Rhodes, it has gained a major position in investment banking, and with the recent purchase of the Swiss Trade Development Bank, it has solidified its international base.

* Seventh-ranked National Medical Enterprises has achieved solid progress in the health services industry due, in part, to its successful acquisition strategies. It broadened itself within the health care field by embracing new and emerging prospects such as the purchase of hospitals specializing in psychiatric care.

* Centel Corp., ranking eighth, has been expanding into cable television and the manufacturing/distribution of communications related products. Centel, the fourth largest independent phone system in the country, expects the proportion of revenues derived from regulated utility operations to decline.

* Metromedia, ranking ninth, has been expanding into radio paging and cellular communications, while twelfth-ranked American Hospital Supply has continued to acquire manufacturers and distributors of medical equipment.

* Eleventh-ranked Allied Corp., previously known as Allied Chemical, adopted its present name in 1981 to reflect its transformation into a diversified high-technology concern through its aggressive acquisition strategy.

* Thomas Tilling, ranking thirteenth, is the only foreign corporation on the list. Having had aggressively pursued acquisitions of American companies, this British conglomerate was recently acquired by BTR Ltd., another diversified British company.

* Alco Standard, the fifteenth acquisition leader, is a unique conglomerate recognized for its "Corporate Partnership" style of management which allows the managers of over 100 diverse operating units to run their operations as entrepreneurs. Alco's acquisition criteria emphasize related businesses compatible with its philosophies of management, organization, and leadership.

* Ranking seventeenth, General Signal, an electrical equipment manufacturer, has diversified into semiconductor processing and telecommunications in order to lessen its dependence on the soft utilities and nonresidential construction markets.

* Nucorp Energy, ranking eighteenth, was the most aggressive acquirer of 1981. One of the many victims of the depressed energy industry, Nucorp has been operating under Chapter 11 of the bankruptcy laws. Another casualty was Pengo Industries, ranking sixth. Pengo has suffered losses for the last two years.

* Ranking thirty-third, Penn Central has aggressively pursued sizable acquisition candidates since it came out of bankruptcy in 1978. Its acquisition search concentrated on the energy, electronics and telecommunications industries.

ACQUISITION LEADERS
1979 — 1983

Company	Number of Acquisitions					Five-Year Total
	1979	1980	1981	1982	1983	
Allied Bancshares Corp.	6	5	10	4	7	32
Merrill Lynch & Co.	1	7	9	8	6	31
W. R. Grace & Co.	8	10	5	2	3	28
General Electric Co.	4	6	8	3	6	27
American Express Co.	3	4	5	7	5	24
Pengo Industries, Inc.	4	7	13	—	—	24
National Medical Enterprises, Inc.	2	2	10	5	4	23
Centel Corp.	3	5	10	4	—	22
Metromedia, Inc.	1	2	2	9	8	22
Southwest Bancshares, Inc.	3	2	10	4	3	22
Allied Corp.	1	7	8	2	3	21
American Hospital Supply Corp.	1	4	3	8	5	21
Thomas Tilling Ltd. — Britain	6	7	6	2	—	21
Security Pacific Corp.	1	1	3	8	7	20
Alco Standard Corp.	2	2	9	—	6	19
Mercantile Texas Corp.	1	2	11	4	1	19
General Signal Corp.	2	5	4	1	6	18
Nucorp Energy, Inc.	—	5	13	—	—	18
Texas American Bancshares, Inc.	—	1	9	4	4	18
Automatic Data Processing, Inc.	4	4	6	1	3	18
Beatrice Foods Co.	3	—	4	7	3	17
Esmark, Inc.	2	2	3	5	5	17
Cooper Laboratories, Inc.	2	5	3	3	4	17
First City Bancorp.	4	4	7	1	1	17
Banc One Corp.	1	3	6	4	3	17
Minnesota Mining & Manufacturing Co.	5	1	4	6	1	17
McKesson Corp.	2	1	4	2	7	16
Honeywell, Inc.	3	2	2	6	3	16
Anacomp, Inc.	6	6	3	1	—	16
Dana Corp.	2	7	3	3	1	16
Gannett Co., Inc.	6	2	4	4	—	16
Amfac, Inc.	4	4	2	5	1	16
Penn Central Corp.	4	3	4	—	5	16
Doyle Dane Bernbach	4	4	1	1	6	16
Totals	101	132	204	124	117	678

Source: W. T. Grimm & Co.

Figure 18.

DIVESTITURES

Divestitures, sales of a product line, subsidiary or division, totalled 932 (37% of all acquisition activity), up 7% from 875 (37%) in 1982. Based on the 376 divestitures disclosing a purchase price during 1983, the total dollar value paid rose 50% to $24.2 billion from $16.1 billion in 1982.

DIVESTITURES
1966 — 1983

Year	Number	Percent of all Transactions	Year	Number	Percent of all Transactions
1966	264	11%	1975	1,226	54%
1967	328	11%	1976	1,204	53%
1968	557	12%	1977	1,002	45%
1969	801	13%	1978	820	39%
1970	1,401	27%	1979	752	35%
1971	1,920	42%	1980	666	35%
1972	1,770	37%	1981	830	35%
1973	1,557	39%	1982	875	37%
1974	1,331	47%	1983	932	37%

Source: W. T. Grimm & Co.

Figure 19.

Viewing divestment activity since the mid-60s, we see that divestitures as a percentage of all transactions accelerated in the aftermath of the conglomerate era of 1968 and 1969. The peak occurred in 1975-1976 as the recession of 1974-75 compelled many companies to raise capital by selling certain business segments.

The recent recession, described as the worst since the Great Depression, took a severe toll on corporate profits and has once again forced corporate managements to further streamline operations and strengthen balance sheets by selling slow-growing and/or cash-draining units. Moreover, conglomerates, forgoing extensive diversification strategies, continued to divest unrelated businesses. Placing more emphasis on the quality of their products, companies, instead, redeployed their assets to support those businesses they understand best. Hence, corporations were no longer reluctant to sell long-established subsidiaries or to divest sizable businesses acquired only a few years earlier, resulting in more larger sized divestments over the last five years. (See Figure 20.) As indicated earlier, the average purchase price for divestitures increased from $45.6 million in 1981 to $64.3 million in 1983.

VALUE OF DIVESTITURES
1979 — 1983

Price Paid Value	Number (Percent of Transactions Disclosing Price)				
	1979	1980	1981	1982	1983
$ 5 million or less	112 (35%)	73 (27%)	106 (29%)	82 (26%)	108 (29%)
$ 5.1 - 10.0 million	61 (19%)	56 (21%)	66 (18%)	60 (19%)	55 (15%)
$10.1 - 15.0 million	30 (9%)	24 (9%)	39 (11%)	32 (10%)	30 (8%)
$15.1 - 25.0 million	37 (12%)	23 (9%)	38 (10%)	30 (9%)	34 (9%)
$25.1 - 50.0 million	43 (13%)	36 (14%)	51 (14%)	37 (12%)	57 (15%)
$50.1 - 99.9 million	19 (6%)	22 (8%)	29 (8%)	35 (11%)	42 (11%)
$100 million or more	20 (6%)	30 (11%)	37 (10%)	41 (13%)	50 (13%)

Source: W. T. Grimm & Co.

Figure 20.

The fifty largest divestitures of 1983 are listed on the next few pages. They are all valued at $100 million or more.

THE 50 LARGEST DIVESTITURES

1983

Buyer [business and/or product line]	**Selling Parent Company** (unit sold) [business and/or product line]	**Approximate Price Paid** *(millions)*
1. **Broken Hill Proprietary Co. — Australia** [natural resources]	**General Electric Co.** (Utah International, Inc.) [leading producer of metallurgical coal in Australia]	**$2,400.0**
2. **Manufacturers Hanover Corp.** [multiple bank holding]	**RCA Corp.** (C.I.T. Financial Corp.) [major finance co.]	**1,510.0**
3. **American Express Co.** [travel & investor services - insurance - banking]	**Alleghany Corp.** (Investors Diversified Services, Inc.) [offers a variety of investment products to middle-income market]	**829.1**
4. **A. H. Belo Corp.** [newspaper publishing - broadcasting]	**Dun & Bradstreet Corp.** (Corinthian Broadcasting Group) [six television stations]	**606.0**
5. **Private Group** (organized by E. F. Hutton and includes several Conoco Chemicals executives]	**Du Pont Co.** (certain chemical assets) [plants which make ethylene, synthetic alcohols, polyvinyl chloride resins]	**600.0**
5. **Philadelphia Saving Fund Society** [S & L]	**General Electric Corp.** (Family Financial Services) [originates & purchases second mortgages]	**600.0**
7. **Southland Corp.** [nation's largest independent gasoline retailer - convenience food stores]	**Occidental Petroleum Corp.** (certain assets) [a refinery - chain of gasoline stations - certain transportation & wholesaling businesses]	**582.0**
8. **Fuji Bank Ltd.** [Japan's 2nd largest bank]	**Walter E. Heller International Corp.** (Walter E. Heller & Co. and Walter E. Heller Overseas Corp.) [commercial finance]	**425.0**
9. **Stone Container Corp.** [paperboard & packaging products]	**Continental Group, Inc.** (certain forest-products assets) [most of Continental's containerboard and kraft paper operations]	**390.0**
10. **Wesray Corp.** [investment holding co.]	**Occidental Petroleum Corp.** (Permian Corp.) [buys, transports & markets crude oil]	**375.0**
11. **American Brands, Inc.** [diversified: tobacco - insurance - hardware]	**Southland Financial Corp.** (Southland Life Insurance Co.) [specializes in group policies]	**352.0**
12. **Pacific Lighting Corp.** [utility holding]	**Farmland Industries, Inc.** (Terra Resources, Inc.) [oil/gas expl'n & prod'n.]	**300.0**
12. **Black & Decker Mfg. Co.** [portable electrical tools]	**General Electric Co.** (housewares operations) [small electrical appliances]	**300.0**
14. **Warner Communications, Inc.** [entertainment field leader]	**Chris-Craft Industries, Inc.** (42.5% of BHC, Inc.) [4th largest non-network broadcaster]	**276.0**
15. **First Chicago Corp.** [bank holding: First National of Chicago]	**Walter E. Heller Int'l Corp.** (American National Bank & Trust Co.) [Chicago's 5th largest bank]	**275.0**

Buyer [business and/or product line]	**Selling Parent Company** (unit sold) [business and/or product line]	**Approximate Price Paid** ***(millions)***
16. **Private Group** [led by American Can Co. and includes Harold S. Geneen and Ticor's chairman and president]	**Southern Pacific Co.** (Ticor) [nation's largest commercial & residential title insurance operation]	$ 271.3
17. **Private Group** [organized by Allen & Co. and includes GNB's president]	**Gould, Inc.** (GNB Batteries, Inc.) [lead-acid batteries]	270.0
18. **MidCon Corp.** [gas transmission - drilling - coal]	**Union Pacific Corp.** (Mississippi River Transmission Corp.) [natural gas transmission]	256.3
19. **I.C.H. Corp.** [insurance holding]	**American General Corp.** (Great Southern Life Insurance Co.) [life, accident & health insurance]	250.0
19. **Peabody Holding Co.** [coal mining]	**Armco, Inc.** (West Virginia coal properties)	250.0
21. **Circle K Corp.** [convenience food stores]	**American Financial Corp.** (Utotem, Inc.) [convenience stores]	225.0
22. **Rowntree Mackintosh PLC — Britain** [foods]	**General Mills, Inc.** (Tom's Foods) [snack foods]	215.0
23. **Seagram Co. — Canada** [distiller]	**Coca-Cola Co.** (Wine Spectrum) [Sterling & Monterey vineyards - Taylor Wine Co.]	200.0
24. **Private Group** [Bass family of Fort Worth, TX & Arvida management]	**Penn Central Corp.** (Arvida Corp.) [resort community development]	188.0
25. **Enstar Corp.** [oil and gas]	**Superior Oil Co.** (Indonesian Superior Oil Co.) [oil/gas expl'n & development]	180.0
26. **Monsanto Co.** [leading diversified chemical co.]	**General Electric Co. PLC — Britain** (its remaining 33.5% of Fisher Controls International, Inc.) [valves & regulators]	178.0
27. **James River Corp.** [chemically treated specialty paper prdts.]	**Diamond International Corp.** (pulp and papermaking assets)	170.8
28. **Great Western Financial Corp.** [S & Ls - California]	**CanWest Capital Corp. — Canada** (Aristar, Inc.) [insurance - consumer finance - mortgage banking]	170.0
28. **LTV Corp.** [diversified]	**American Motors Corp.** (AM General Corp.) [makes tactical wheeled vehicles for military use]	170.0
30. **Private Group** [management of unit & other investors]	**Taft Broadcasting Co.** (domestic theme parks) [3 parks in Cincinnati, Ohio; Richmond, VA; and Charlotte, NC]	167.5
31. **ConAgra, Inc.** [bakery flour - feeds - poultry]	**Greyhound Corp.** (Armour Food Co.) [meat processing & packing]	166.0
32. **Fleet Financial Group, Inc.** [bank holding - RI]	**U.S. Industries, Inc.** (Credico Financial, Inc. and Colonial American Life Insurance Co.) [consumer finance & credit insurance]	162.5

Buyer [business and/or product line]	**Selling Parent Company** (unit sold) [business and/or product line]	**Approximate Price Paid** ***(millions)***
33. **Blue Circle Industries Group — Britain** [Britain's largest cement maker]	**Martin Marietta Corp.** (4 cement plants) [located in Tulsa, OK; Roberts, AL; Davenport, IA; Atlanta, GA.]	$ 150.0
33. **Metropolitan Life Insurance Co.**	**BankAmerica Corp.** (Seafirst Leasing Corp.)	150.0
35. **W. R. Grace & Co.** [diversified: chemicals - energy - consumer]	**Diamond Shamrock Corp.** (process - chemical & metal coating divisions) [mfrs. specialty chemicals for ind'l applications]	140.0
35. **General Electric Corp.** [electric/electronic equipment]	**Tiger International, Inc.** (North American Car Corp.) [railcar leasing]	140.0
37. **CCL Industries Ltd. — Canada** [household spray & cleaning agents]	**Continental Group** (Canadian packaging business)	130.0
38. **CPC International, Inc.** [food processor & corn wetmiller]	**McKesson Corp.** (C. F. Mueller Co.) [one of country's largest pasta makers]	125.0
39. **Private Group** [Consolidated's management]	**Gulf & Western Industries Inc.** (Consolidated Cigar Co.) [cigars & smoking tobacco]	120.0
39. **Bank of Boston Corp.** [parent of 1st Nat'l. Bank Boston]	**Phillips Petroleum Co.** (Stockton, Whatley, Davis & Co.) [mortgage banking]	120.0
39. **Michigan General Corp.** [apparel - housing - industrial prdts.]	**Diamond International, Inc.** (retail lumber & building prdts. division) [97 home - bldg. centers & lumber yards in 15 states]	120.0
42. **Celanese Corp.** [fibers - plastics - chemicals]	**Imperial Chemical Industries PLC — Britain** (remaining 37.5% in Fiber Industries, Inc.) [polyester yarns & fibers]	119.0
43. **Private Group** [includes Stater's management]	**Petrolane Corp.** (Stater Bros. Markets) [owns & operates 92 supermarkets in southern California]	110.0
44. **Custer Resources Corp.** [oil and gas]	**Canadian Natural Resources, Ltd. — Canada** (CNR Resources, Inc. - U.S.) [oil and gas]	105.0
45. **Lin Broadcasting Corp.** [radio & TV broadcasting]	**A. H. Belo Corp.** (2 TV stations) [WISH-TV, Indianapolis, IN; WANE-TV, Fort Wayne, IN - both are CBS affiliates]	104.9
46. **Ultramar PLC — Britain** [oil]	**Pittston Co.** (Pittston Petroleum, Inc.) [fuel oil]	100.0
47. **Mercury Savings Association of Texas**	**Baldwin-United Corp.** (5 mortgage-banking units)	100.0
48. **Standard Coal Co.** [formed by a group of Zapata Coal division managers]	**Zapata Corp.** (Zapata Fuels, Inc.) [coal mining]	100.0
49. **Penn Central Corp.** [diversified]	**InterNorth, Inc.** (Northern Propane Gas Co.) [propane retailing]	100.0
50. **Toronto Sun Publishing Corp. — Canada**	**H & C Communications** (Houston Post)	100.0

The flurry of mega-deals over the last three to four years has contributed to the increase in divestment activity. In making these acquisitions, many firms assumed a heavy debt load. As a result, they are selling assets to raise cash for debt repayment. In addition to debt reduction, strategic divestitures of the newly acquired companies' units are also made. In making a sizable purchase, the acquirer is usually attracted to the core businesses of an acquisition candidate. Since most mega-mergers involve the takeover of a very large firm with a number of product lines and operations, the acquirer will divest those business segments not meeting the acquirer's strategic requirements.

The 1983 WTG roster of aggressive divesters, those companies divesting four or more units in one year, contains a few such examples. (See Figure 21.) Allied Corp. which divested eight units, acquired Bendix Corp. for $1.3 billion in 1982. Three of the eight units were operations of Bendix. Occidental Petroleum which in 1982 acquired Cities Service for $4.1 billion, the fifth largest deal in corporate history, has stated, "The acquisition, consolidation and prompt repayment of the merger debt are part of a sound and methodical plan that will leave a stronger and streamlined Occidental preeminent in three major areas: energy, agribusiness, and selected chemicals." Two of Occidental's divestitures ranked seventh and tenth in the WTG 1983 roster of the 50 largest divestitures. (See page 52.) Du Pont Co. which in 1981 acquired Conoco for over $8 billion, the largest acquisition in history, continued its divestiture program. The largest unit management buyout in corporate history was among Du Pont's six divestitures. Du Pont sold certain chemical assets for $600 million to a group of Conoco Chemicals executives. The company also divested its Lucite consumer paint business along with some pigment product lines and plastics operation.

Martin Marietta, which survived 1982's four-way extravaganza with Bendix, United Technologies, and Allied, initiated a divestment program to reduce its $1.3 billion debt incurred in resisting Bendix Corp.'s overtures. Marietta sold a total of 16 U.S. based cement plants to five different purchasers, including four plants to Blue Circle Industries, Britain's largest cement maker. Also divested was the Sodyeco division, a manufacturer of dyes and organic chemicals, to another foreign company, Sandoz Ltd. of Switzerland.

Led by its late chairman Charles G. Bluhdorn, Gulf & Western acquired a vast array of companies, properties and stockholdings, and in the process accumulated a huge debt load. A divestiture program started by Bluhdorn before his death in February, 1983 was intensified by his successor. By the end of the year, Gulf & Western partially completed its divestiture program with the sale of businesses representing 20% of assets and $1 billion of sales. Its operations are now primarily in three segments: consumer and industrial products, entertainment and communications, and financial services.

One aggressive divester, Baldwin-United Corp., filed a Chapter 11 petition for bankruptcy in 1983, while another, Wickes Cos., has been operating under Chapter 11 for more than a year.

AGGRESSIVE DIVESTERS

1983

Selling Parent Company	Number of Divestitures
General Electric Corp.	12
Beatrice Foods Co.	9
Allied Corp.	8
Chromalloy American Corp.	8
Gulf & Western Industries, Inc.	8
Occidental Petroleum Corp.	7
Bell & Howell Co.	6
Du Pont Co.	6
Martin Marietta Corp.	6
Baldwin-United Corp.	5
GTE Corp.	5
Whittaker Corp.	5
Allegheny International, Inc.	4
American General Corp.	4
Coca-Cola Co.	4
Harte-Hanks Communications	4
Minnesota Mining & Manufacturing	4
Tenneco, Inc.	4
Westinghouse Electric	4
Wickes Cos.	4
Xerox Corp.	4

Source: W. T. Grimm & Co.

Figure 21.

The most aggressive divesters over a five-year cumulative period are listed in Figure 22. They are companies which divested ten or more units over the last five years. Some observations,

> The list contains 23 companies which divested a total of 331 businesses, or 8% of all divestitures for the five-year span.
>
> Five of the 23 companies were acquirers in some of the top 100 deals in history: Du Pont Co., General Electric Co., RCA Corp., Allied Corp., Beatrice Foods Co. General Electric and RCA each divested those same companies which were their largest acquisitions. General Electric divested Utah International Inc. to Broken Hill Proprietary of Australia for $2.4 billion, the largest divestiture in corporate history. RCA sold C.I.T. Financial to Manufacturers Hanover for $1.5 billion, the second largest divisional sale in 1983 and the largest acquisition ever by a U.S. bank holding company.
>
> Four aggressive divesters experienced earnings losses in at least two of the last five years: Chromalloy American, International Harvester, Genesco, Itel.

Beatrice Foods, the most aggressive divester, embarked on a major restructuring program entailing the divestiture of 50 companies with combined sales of $900 million within two years. Because the company's earnings growth has continued to be sluggish, Beatrice plans to divest most of its cyclical and capital-intensive units. It also plans to realign its domestic profit centers into a much smaller number of business units organized along marketing lines aimed at achieving efficiencies in cost, productivity and distribution. Among the nine divestitures of 1983, the largest division sold by Beatrice was John Sexton & Co., a national food service and institutional food maker with annual sales of $380 million. Its candy operations generating annual sales of $123 million were sold to Huhtamaki of Finland. Four of the nine units divested were in the Household Goods and Furniture industries: Heckman Furniture Co.; Melnor Industries, a manufacturer of lawn sprinklers; Beneke Corp., a manufacturer of bathroom accessories; Geerpress Wringer Division which manufactures mop wringers and wall washers. The three remaining units sold were its steel tubing operations, animal by-product operations, and a yogurt business.

Redirecting its emphasis on core businesses of electronics, communications and entertainment, RCA sold non-electronic units such as the noted publishing firm of Random House and the well-known frozen food processor, Banquet Foods. RCA's recent divestiture of C.I.T. Financial for $1.5 billion was, of course, the largest in corporate history.

Union Carbide, like many other companies in the chemical industry, overexpanded with dire results when demand softened. Since 1978 Carbide has divested over $1 billion of assets.

Bell & Howell completed a major asset redeployment program with the sale of all its instrument, optics, and consumer photo operations. The company intends to concentrate on communications equipment and services and its DeVry unit, one of the nation's largest systems of proprietary post-secondary schools.

AGGRESSIVE DIVESTERS
1979 — 1983

	Number of Divestitures					
Selling Parent Company	**1979**	**1980**	**1981**	**1982**	**1983**	**Five-Year Total**
Beatrice Foods Co.	6	1	7	3	9	26
Allied Corp.	5	2	3	5	8	23
ITT Corp.	4	8	6	2	2	22
General Electric Co.	2	—	1	4	12	19
Chromalloy American Corp.	3	2	—	3	8	16
Du Pont Co.	2	—	—	8	6	16
Gulf & Western Industries, Inc.	2	1	2	3	8	16
Allegheny International, Inc.	2	2	1	7	4	16
RCA Corp.	—	7	3	3	2	15
Wickes Cos.	1	1	3	4	4	13
Metromedia, Inc.	2	2	2	5	2	13
Itel Corp.	6	7	—	—	—	13
Sun Co.	—	2	5	3	2	12
Colgate-Palmotive Co.	4	4	2	1	1	12
Genesco, Inc.	5	4	1	—	2	12
Union Carbide Corp.	3	5	3	—	1	12
Consolidated Foods Corp.	4	3	2	—	3	12
International Harvester Co.	—	—	3	6	2	11
G. D. Searle & Co.	1	—	6	1	3	11
Bankers Trust Co.	5	—	4	2	—	11
Bell & Howell Co.	1	—	1	2	6	10
Firestone Tire & Rubber Co.	—	1	3	6	—	10
Esmark, Inc.	2	7	—	—	1	10
Totals	60	59	58	68	86	331

Source: W. T. Grimm & Co.

Figure 22.

Divestiture totals for each of the 50 industry classifications are provided below.

DIVESTITURES
INDUSTRY CLASSIFICATIONS
1981 — 1983

	Number of Divestitures		
Seller Industry Category	**1981**	**1982**	**1983**
Agricultural Production	10	2	7
Food Processing	37	27	27
Beverages	12	14	5
Apparel	12	9	6
Textiles	12	7	6
Timber & Forest Products	4	2	3
Paper	5	10	6
Packaging & Containers	12	10	20
Furniture	3	4	8
Building Products & Materials	14	16	11
Household Goods	13	16	14
Printing & Publishing	22	31	28
Chemicals, Paints & Coatings	38	29	37
Drugs, Medical Supplies & Equipment	24	24	20
Toiletries & Cosmetics	—	6	6
Plastics & Rubber	11	19	23
Stone, Clay & Glass	16	8	16
Primary Metal Processing	18	15	28
Fabricated Metal Products	13	17	35
Industrial & Farm Machinery & Equipment	38	62	55
Construction, Mining & Oil Field Equipment	6	8	8
Valves, Pumps & Hydraulics	14	5	12
Autos & Trucks	5	2	1
Automotive Products & Accessories	13	20	8
Electrical Equipment	19	28	31
Office Equipment & Computer Hardware	14	11	30
Electronics	21	24	24
Aerospace, Aircraft & Defense	6	8	7
Instruments & Photographic Equipment	21	19	27
Toys & Recreational Products	18	16	5
Miscellaneous Manufacturing	13	14	19
Oil & Gas	26	21	33
Mining & Minerals	15	15	9
Transportation	13	18	12
Communications	7	14	4
Broadcasting	23	32	44
Electrical, Gas, Water & Sanitary Services	1	3	14
Wholesale & Distribution	35	35	30
Retail	47	35	42
Banking & Finance	37	61	45
Insurance	33	29	25
Real Estate	7	6	8
Brokerage, Investment & Management Consulting Services	8	11	14
Computer Software, Supplies & Services	13	22	26
Construction Contractors & Engineering Services	15	11	9
Energy Services	15	4	8
Health Services	13	14	10
Leisure & Entertainment	23	20	15
Miscellaneous Services	34	40	51
Conglomerate	1	1	—
Total Divestitures	830	875	932

Divestitures accounted for more than half of merger and acquisition activity in each of the following industry classifications. Due to the depressed state of the Automotive Products & Accessories, Primary Metal Processing, and Fabricated Metal Products industries, companies no longer retained units in these areas. A high concentration of divestments is typical for Broadcasting. Because of the FCC's 7-7-7 rule, which prohibits any one company from owning more than seven AM, seven FM, and seven TV stations, broadcasters, in order to complete their new acquisitions in stronger market areas, are required to divest stations to comply with the FCC rule. Companies in Packaging & Containers, as mentioned earlier, implemented asset redeployment programs, with an objective of getting out of glass and into plastics. Overcapacity in the Chemicals, Paints & Coatings industry resulted in numerous divestitures over the last few years. Under pressure from the recession, chemical companies have been redeploying assets, striving mainly to concentrate on the generally more lucrative specialty chemical market. With consumer demand slowing down and the fragmentation of established markets speeding up, net profit margins of companies in Toiletries & Cosmetics have been dropping, resulting in dispositions of slower-growth products and lesser known brand names.

INDUSTRIES WITH MOST DIVESTITURES
1983

Seller Industry Classifications	Total Transactions	Divestitures	Divestitures as a % of all Activity
Automotive Products & Accessories	10	8	80%
Broadcasting	60	44	73%
Primary Metal Processing	39	28	72%
Packaging & Containers	29	20	69%
Chemicals, Paints & Coatings	55	37	67%
Fabricated Metal Products	55	35	64%
Electrical Equipment	49	31	63%
Toiletries & Cosmetics	10	6	60%
Valves, Pumps & Hydraulics	20	12	60%
Stone, Clay & Glass	27	16	59%
Paper	11	6	55%
Agricultural Production	13	7	54%
Industrial & Farm Equipment & Machinery	104	55	53%
Plastics & Rubber	44	23	52%
Electrical, Gas, Water & Sanitary Services	27	14	52%
Instruments & Photographic Equipment	53	27	51%

Source: W. T. Grimm & Co.

Figure 23.

Unit Management Buyouts*

The growth in divestment activity over the last few years has triggered a concurrent trend, an increase in unit management buyouts. With more corporations restructuring their operations and more managers choosing to become entrepreneurs, unit sales to management since 1978 have soared 184%, rising from 49 to 139 in 1983.

UNIT MANAGEMENT BUYOUTS
MOMENTUM BUILDING

Year	Divestitures	Management Buyouts	Percent of Total Divestitures
1978	820	49	6%
1979	752	59	8%
1980	666	47	7%
1981	830	83	10%
1982	875	115	13%
1983	932	139	15%

Source: W. T. Grimm & Co.

Figure 24.

The 1983 total dollar value paid for unit management buyouts almost doubled the year-earlier tabulation. Aggregate dollars increased from approximately $1.4 billion to about $2.5 billion. As indicated in Figure 25, larger deals are taking place. There were eight unit buyouts priced at $100 million or more during 1983, compared with five in 1982 and none in 1978 and 1979. The eight $100 million plus deals are among the top 50 divestitures on page 52. The largest 1983 unit management buyout, also the largest in history, was the $600 million purchase of certain chemical assets from Du Pont Co. The largest in 1982 was Gulf & Western's sale of Providence Capital International Insurance Ltd. and Famous Players Realty Ltd. for $350 million. The subsequent chart displays the annual dollar totals and the average purchase price. This is followed by the twenty largest unit management buyouts of 1983.

UNIT MANAGEMENT BUYOUTS
TOTAL DOLLAR VALUE PAID
1978 — 1983

Year	Management Buyouts	Number Disclosing Price	Tabulation of Prices (millions)	Average Price (millions)
1978	49	20	$ 75.2	$ 3.8
1979	59	14	46.7	3.3
1980	47	15	363.3	24.2
1981	83	30	484.1	16.1
1982	115	41	1,361.1	33.2
1983	139	51	2,499.4	49.0

Source: W. T. Grimm & Co.

Figure 25.

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* *The WTG Research Department began monitoring unit management buyouts in 1978. The statistics discussed here represent only those cases where it has been publicly announced that an executive of the parent company or members of the division's management were included among the purchasing group. Therefore, any trend depicted here is surely understated.*

TWENTY LARGEST UNIT MANAGEMENT BUYOUTS
Completed / Pending
1983

Selling Parent Company	Unit Sold to Management Group [business and/or product line]	Purchase Price *(millions)*
Du Pont Co.	**Certain chemical assets** [plants which make ethylene, synthetic alcohols, polyvinyl chloride resins]	$ 600.0
Southern Pacific Co.	**Ticor** [nation's largest commercial & residential title insurance operations]	271.3
Gould, Inc.	**GNB Batteries, Inc.** [lead-acid batteries]	270.0
Penn Central Corp.	**Arvida Corp.** [resort community development]	188.0
Taft Broadcasting Co.	**Domestic theme parks** [three parks in Cincinnati, OH; Richmond, VA; and Charlotte, NC]	167.5
Gulf & Western Industries, Inc.	**Consolidated Cigar Co.** [cigars & smoking tobacco]	120.0
Petrolane Corp.	**Stater Bros. Markets** [owns & operates 92 supermarkets in southern California]	110.0
Zapata Corp.	**Zapata Fuels, Inc.** [coal mining]	100.0
Mattel, Inc.	**Western Publishing Co., Inc.** [juvenile books & games]	75.0
Teleco, Inc.	**WTTV-TV** [television station in Bloomington, IN]	73.0
Gulf & Western Industries, Inc.	**Building-product operations**	65.0
Ziff-Davis Publishing	**Four network-affiliated TV stations** [stations serve Augusta, GA; Rochester, NY; Saginaw, Flint & Bay City, MI; Steubenville, OH & Wheeling, W VA]	64.0
Times Mirror Co.	**New American Library** [publishers of general-interest paperback & hard-cover books]	50.0
Phibro-Salomon, Inc.	**Conserv Inc., National Zinc Co., Phibro Oil & Gas Exploration, and Somex Ltd.** [Conserv—fertilizer maker; Somex—vanadium processing]	40.0
Household International, Inc.	**Wien Air Alaska** [airline serving Alaska & seven Western U.S. cities]	37.0
Mark Controls Corp.	**Transitube division**	23.0
Gannett Co.	**Oakland Tribune** [newspaper with circulation of 174,000]	22.0
Koppers Co.	**Environmental Elements Corp.** [environmental control devices]	18.0
Beatrice Foods Co.	**Melnor Industries, Inc.** [mfrs. lawn sprinklers]	18.0
Allied Corp.	**Gradall Co.** [construction equipment]	18.0

Source: W. T. Grimm & Co.

Figure 26.

Because most, if not all, unit management purchases are leveraged, their gain in popularity should be viewed within the context of the overall increase in leveraged buyouts. A discussion of leveraged buyouts appears on page 69.

TENDER OFFERS

Tender offers for publicly traded companies plunged 46% to 37 in 1983, with only 11 hostile takeovers recorded. Twenty-nine of the 68 offers during 1982 were hostile. The 37 offers counted for 1983 represented the lowest level of tender offer activity monitored by the WTG Research Department which began tracking tender bids in 1974. At the same time, the 1983 hostile offer total was the lowest since 1977, when unfriendly tenders also numbered 11.

Both the drop in total tender offer activity and hostile raids were attributable to a scarcity of undervalued targets and the unwillingness among suitors to incur expenses associated with takeover battles. With the tremendous surge in the 1983 stock market, significantly undervalued target companies were harder to find. Likewise, the stigma and wasteful costs associated with the "Pac-Man" battles of 1982 prompted hostile suitors to think twice before embarking on such spectacles.

"Pac-Man," a defense tactic introduced in 1982, is a strategy in which the target company tries to take over the hostile suitor. There were three such instances during 1982, which included the infamous Bendix-Martin Marietta-United Technologies-Allied extravaganza. Bendix Corp. had made an offer for Martin Marietta Corp. which vehemently opposed the bid and, in defense, commenced a counter-offer for Bendix. Soon after, United Technologies also made an offer for Bendix. Bendix contested both offers and was finally acquired by Allied Corp., the so-called "white knight." The widespread business reaction to this four-way clash was extremely unfavorable.

The two remaining "Pac-Man" battles were American General Corp.-NLT Corp. and Mesa Petroleum Co.-Cities Service Co. Following a series of sweetened offers by both parties, litigation proceedings, etc., American General and NLT agreed to a friendly cash and stock merger whereby American, the initial hostile suitor, acquired NLT. After Mesa offered to acquire a controlling interest in Cities, Cities countered with its own offer. Gulf Oil stepped in as a "White Knight" and agreed to acquire Cities. Gulf, however, withdrew at the last minute. Much later, Occidental Petroleum made an offer which was initially rejected. Cities accepted after Occidental sweetened the purchase price.

Figure 27 provides a ten-year statistical summary of tender offer activity. Note that over the last ten years the annual success rate averaged about 78% of all tender attempts.

TENDER OFFERS FOR PUBLICLY TRADED TARGETS
1974 — 1983

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Total Attempted	76	58	70	69	90	106	53	75	68	37
Contested by Targets	12	20	18	11	27	26	12	28	29	11
(as a percent of all attempts)	(16%)	(34%)	(26%)	(16%)	(30%)	(25%)	(23%)	(37%)	(43%)	(30%)
Contested & then Cancelled	4	6	12	6	14	17	8	15	12	4
Cancelled for Other Reasons	13	9	9	5	4	10	5	1	5	1
Total Unsuccessful Tenders	17	15	21	11	18	27	13	16	17	5
Completed/Pending Tenders	59	43	49	58	72	79	40	59	51	32
(as a percent of all attempts)	(78%)	(74%)	(70%)	(84%)	(80%)	(75%)	(75%)	(79%)	(75%)	(86%)

Source: W. T. Grimm & Co.

Figure 27.

(Note: Tender offers tracked since 1974. Tender offers attempted during 1983 are identified in the Transaction Roster.)

Historical Note

Hostile raids as an established acquisition strategy originated in 1974 when Morgan Stanley & Co. represented International Nickel Co. of Canada in its hostile and successful offer for ESB, Inc. The fact that Morgan Stanley, a reputable investment banking firm, was engaged in such an action rendered the hostile takeover an acceptable practice. The prevalence of takeover battles resulted in a specialized industry consisting of investment bankers, attorneys, proxy solicitors and public relations professionals, all of whom were offering expertise on offensive and defensive tactics.

As indicated in the preceding table, hostile takeovers became more popular during the last few years, with most of them occurring in 1981 and 1982. Given the inflationary and unstable economic environment of the last ten years coupled with the low marketplace valuation of assets, managements chose to seek out bargains on the stock exchanges rather than the more costly and risky alternative of internal expansion. Further fueling the unfriendly takeover trend was the increasing acceptance of hostile bids by the investment banking community.

Due to the sharp rise in takeover battles during 1981 and 1982, many corporations were searching for ways to deter hostile bidders. The grinding Bendix-Marietta battle was the finishing stroke that spurred on many companies to adopt and/or strengthen various defense measures against surprise attacks. These defensive tactics, known as "shark repellents," include "super majorities," "stock watches," and "scorched-earth" or "crown-jewel" strategies. Super majority provisions, amendments attached to corporate charters and bylaws, require a controlling shareholder to obtain an 80-95% favorable vote to clear a merger. Stock watches refer to an increased monitoring of trading in a company's own shares to detect any irregular accumulations. The scorched-earth tactic, the most drastic form of defense, entails the partial or complete liquidation of the target company. Most target managers opt for a milder version through the sale of highly prized units—the "crown-jewels." For example, in January, 1982 Whittaker Corp. initiated a tender offer for 49% of Brunswick Corp. The offer was withdrawn in March, 1982 after Brunswick sold its highly valued medical unit, Sherwood Medical Industries, to American Home Products.

A new takeover deterrent was introduced during the summer of 1983, when Brown-Forman Distillers launched an offer for Lenox Inc. The "poison pill" defense strategy calls for the target company to issue securities convertible into the common stock of whatever company owned it at the time of conversion, thereby threatening dilution of the suitor's stock. The viability of the strategy, however, could not be determined since Lenox in the end accepted Brown-Forman's sweetened offer.

An established defense tactic still utilized is the search for "white knights," a term used to describe those suitors that the target company feels are more compatible with its own business philosophy and corporate objectives. Of the 11 target companies resisting takeover attempts during 1983, four were able to ward off their hostile suitor, with three of the four acquired by white knights. The fourth target company, Consolidated Oil & Gas, Inc., remained independent by purchasing its shares held by the hostile suitor, The Appalachian Co. Appalachian offered to purchase Consolidated shares at $9.50 each. Consolidated bought back its shares from Appalachian at $10.25 a share. Such "buy backs" are another popular defense technique. Comparable white knight statistics for previous years are provided in the next figure.

"WHITE KNIGHTS" TO THE RESCUE
1978 — 1983

Year	Successful Resisters	acquired by	White Knights
1978	14		6
1979	17		9
1980	8		5
1981	15		9
1982	12		2
1983	4		3

"WHITE KNIGHTS"
1983

Target Company	Hostile Suitor	White Knight
Texas Gas Resources Corp.	Coastal Corp.	CSX Corp.
Gas Service Co.	Missouri Public Service Corp.	Kansas Power & Light Co.
Stokely-Van Camp, Inc.	Pillsbury Co.	Quaker Oats Co.

Source: W. T. Grimm & Co.

Figure 28.

As shown above, the recessionary environment during 1982 produced a shortage of white knights. Many companies were not willing to take on the costs associated with a "rescue plan." Besides the cost of the acquisition and the possible expenditures for a bidding war, there are additional costs which can be incurred after the takeover. A white knight has very little time to study the target company and in turn very little time to draw up a proper strategic plan. Once the hostile offer begins, it remains open for only 20 days. During such a brief period, organizational factors may be overlooked, resulting in unexpected problems when integrating the new business.

Among the seven successful hostile offers of 1983, there were four instances where the unfriendly suitor raised its original bid. Comparable totals for earlier years are listed below.

TENDER OFFERS FOR PUBLICLY TRADED COMPANIES
CONTESTED & SWEETENED OFFERS
1978 — 1983

Year	Contested & Successful Offers	Hostile Suitor Raised Original Bid
1978	13	11 (85%)
1979	9	5 (56%)
1980	4	2 (50%)
1981	13	6 (46%)
1982	17	7 (41%)
1983	7	4 (57%)

Source: W. T. Grimm & Co.

Figure 29.

Although the number of hostile takeovers dropped, 1983 did not lack its share of unfriendly actions. There were plenty of fireworks as numerous shareholder groups staged proxy fights to gain control of a company. In a proxy fight, stockholders seeking control solicit the votes of the corporation's remaining holders to gain seats on the board of directors. Because proxy contests are a cheaper way to obtain control than a cash tender offer, it may also help to explain the waning appeal of tender bids.

According to most takeover experts, there has been a substantial increase in proxy wars during the last year. They attributed the trend to a growing number of institutional shareholders willing to side with the dissenting group and vote against management. The majority of the past year's proxy fights focused on the issue of increasing the company's value by selling off assets. Institutions, who are obliged to seek higher-valued investment opportunities, were, consequently, more receptive to the dissenters' arguments.

For example, Odyssey Partners, a Wall Street investor group, launched a proxy battle against the management of Trans World Corp. in order to break up the airline holding company. Unable to obtain a required 51% approval, Odyssey lost the vote. However, it did manage to get 23% of the holder vote. In another case, dissident stockholder Samuel Heyman did win a prolonged proxy battle against GAF Corp. with 58.3% of the vote. His plan entails selling GAF's chemical operations and divesting the building segment when that operation becomes healthier. Corporate liquidation would be completed following these two sales.

The five largest successful tender offers and the sole five unsuccessful tenders are listed in the subsequent figure. Two values are provided for each successful offer. The first represents the dollar value paid for those shares acquired through the tender, while the second denotes the total value paid for all shares. In most cases, following the tender offer, the suitor acquires the remaining shares for cash or stock.

FIVE LARGEST SUCCESSFUL TENDER OFFERS

1983

Suitor Target Company	Tender Offer Value *(millions)*	Total Value *(millions)*	Remarks
CSX Corp. Texas Gas Resources Corp.	$979.8	$1,053.5	CSX rescued Texas Gas from hostile suitor Coastal Corp.
Brown-Forman Distillers Corp. Lenox, Inc.	801.0	814.3	After rejecting initial offer, Lenox accepted sweetened offer.
Esmark, Inc. Norton Simon, Inc.	788.1	835.5	Norton Simon was target of three other suitors: David Mahoney, chairman of Norton Simon; Kohlberg, Kravis, Roberts & Co., the leveraged buyout specialist; and Anderson Clayton & Co., the food processor.
Williams Cos. Northwest Energy Co.	654.3	711.2	A private group including Northwest management initially offered to take Northwest private for $565.3 million. One month later, Williams commenced its offer which was contested by Northwest. Williams and Northwest finally arrived at a merger accord after the initial buying group received $26.7 million from Williams for stepping aside from the deal.
InterNorth, Inc. Belco Petroleum Corp.	279.4	749.8	Following the cash tender offer, InterNorth acquired the remaining shares for stock.

UNSUCCESSFUL TENDER OFFERS

1983

Suitor Target Company	Total Value *(millions)*	Remarks
Coastal Corp. Texas Gas Resources Corp.	$1,042.5	Texas Gas contested offer; acquired by white knight, CSX Corp. for $1,053.5 million.
Anderson Clayton & Co. Norton Simon, Inc.	490.0	Anderson's offer was for only 52% of Norton. Anderson was only interested in Norton's Hunt-Wesson and United Can units. All of Norton Simon acquired by Esmark for $835.5 million.
Pillsbury Co. Stokely-Van Camp, Inc.	170.2	Stokely contested offer; acquired by white knight, Quaker Oats for $211.4 million.
Missouri Public Service Co. Gas Service Co.	40.5	Missouri contested offer; acquired by Kansas Power & Light Co. for $68.4 million.
The Appalachian Co. Consolidated Oil & Gas, Inc.	17.6	Consolidated contested offer; Appalachian withdrew its offer for an additional 20% of Consolidated after Consolidated repurchased its shares.

Source: W. T. Grimm & Co.

Figure 30.

ACQUISITIONS OF PUBLICLY TRADED COMPANIES*

Completed or pending acquisitions of publicly traded companies numbered 190, up 6% from 180 in 1982.

PUBLIC TAKEOVERS
1974 — 1983

1974 — 68
1975 — 130
1976 — 163
1977 — 193
1978 — 260
1979 — 248
1980 — 173
1981 — 168
1982 — 180
1983 — 190

Source: W. T. Grimm & Co.

Figure 31.

Historical Note

There was a noticeable increase in the number of acquisitions in the 1974-1978 period, with public takeovers rising from 68 in 1974 to a peak of 260 in 1978. Companies in the 1970s were confronted with rising inflation, higher capital costs, lower valuation of assets by the marketplace, declining growth rates, and increasing doubts about the exact direction of the U.S. economy. As a result, management priorities were to lessen risks, strengthen earnings, and improve cash flows. Acquisition strategies became primary tools for achieving these objectives. With the depressed level of equity prices, purchasing existing undervalued assets rather than building anew at inflated replacement costs clearly made acquisitions the more attractive strategy.

This growth in public takeovers is closely related to three other trends of the 1970s previously identified: the increase in sizable acquisitions, the increase in tender offers, and the prevalence of cash as a payment medium. Because publicly traded companies tend to be larger than privately held firms, the growth in public takeovers paralleled the increase in larger-sized transactions, resulting in higher dollar totals. Due to the generally distant relationship between managers and stockholders in public companies, there were more tender offers aimed directly at shareholders. Unlike the owners of privately held companies who are burdened with estate taxes, shareholders of public corporations are not as preoccupied with questions of tax liability as private owners. Therefore, payment for acquisitions of public companies was usually in the form of cash. During periods characterized by bear stock markets, cash payments were further utilized.

**Purchase of a controlling interest or more in a publicly traded company.*

The 1983 dollar value paid for public firms rose from $31.5 billion in 1982 to $39.5 billion. Figure 32 provides the annual price paid distribution of public acquisitions since 1978. Note the increase in $100 million plus purchases. Since much of the recent sizable acquisition activity has been taking place in the natural resource and financial areas, the majority of companies in these industries have been large publicly traded companies.

PUBLIC TAKEOVERS
DOLLAR VALUE OF ACQUISITIONS
1978 — 1983

	Number (Percent of Transactions Disclosing Price)					
Price Paid Value	**1978**	**1979**	**1980**	**1981**	**1982**	**1983**
$10 million or less	47—(19%)	47—(20%)	23—(14%)	20—(13%)	22—(12%)	16—(9%)
$10.1 - 25.0 million	52—(21%)	57—(23%)	40—(23%)	28—(18%)	25—(14%)	22—(12%)
$25.1 - 50.0 million	40—(16%)	40—(17%)	30—(17%)	22—(14%)	31—(18%)	40—(22%)
$50.1 - 99.9 million	50—(20%)	38—(16%)	23—(14%)	24—(15%)	33—(19%)	30—(17%)
$100 million or more	61—(24%)	57—(24%)	54—(32%)	62—(40%)	65—(37%)	73—(40%)

Source: W. T. Grimm & Co.

Figure 32.

Payment trends for the last six years are charted in the next figure. Cash remained the dominant payment form in 1983. The stock market's historic rise, however, enabled a number of acquirers to issue equity as payment. Stock exchanges rose from 19% to 28% of public acquisitions.

PUBLIC TAKEOVERS
MEDIUM OF PAYMENT
1978 — 1983

	1978	**1979**	**1980**	**1981**	**1982**	**1983**
Cash	141—(57%)	160—(67%)	94—(55%)	89—(56%)	98—(55%)	94—(51%)
Stock	56—(23%)	34—(14%)	44—(25%)	38—(24%)	34—(19%)	52—(28%)
Combination	47—(19%)	45—(19%)	31—(18%)	31—(19%)	44—(25%)	37—(20%)
Debt	4—(1%)	1—(—)	3—(2%)	2—(1%)	1—(1%)	1—(1%)

Source: W. T. Grimm & Co.

Figure 33.

The current increase in acquisitions of publicly traded companies resulted from an undiminishing trend to take companies private. Purchases of public companies trailed 1982 quarterly levels for most of 1983, until a flurry of going private deals occurred in the final quarter.

"Going Private"/Leveraged Buyouts

The term "going private" refers to an acquisition of a publicly traded company by a private investment group or an individual, i.e. the buyer is not an operating business. The WTG Research Department began tracking such transactions in 1979. The following statistics show an ever increasing trend.

GOING PRIVATE
1979 — 1983

Year	Total Public Takeovers	"Going Private"	Percent of Public Takeovers
1979	248	16	6.4%
1980	173	13	7.5%
1981	168	17	10.1%
1982	180	31	17.2%
1983	190	36	19.0%

Source: W. T. Grimm & Co.

Figure 34.

Reasons for taking a company private vary. A publicly traded company may not be attracting sufficient investor interest in the stock market, resulting in lower prices which in turn causes the firm to be a tempting target for corporate raiders. Managers of the undervalued company then decide to take it private in order to maintain control.

The choice to go private can be born out of a defense strategy. In 1983, management of Cone Mills Corp., a textile firm, offered to take the company private to avoid the clutches of Western Pacific Industries which had accumulated 27% of Cone Mills' stock.

A minority shareholder dissatisfied with management decisions could offer to purchase all remaining stock holdings. Designer Calvin Klein, who held 9% of Puritan Fashions Corp., disapproved of the company having an inexperienced 27-year-old president. Carl Rosen, the late owner of Puritan Fashions, a leading producer of Klein's designer clothing, insisted that his son take over the business after his death. Klein offered to acquire the remaining 91% for $58.1 million.

Finally, a number of companies are simply attracted to the various advantages in going private which include the elimination of additional expenses associated with public companies such as shareholder documents, shareholder meetings, and shareholder dividends. Most important, a private company can manage its business in its best long-term interests instead of opting for short-term strategies which boost the price of the stock.

Like the majority of unit management buyouts, most, if not all, of the going private transactions are also leveraged buyouts, i.e. transactions where the purchasers put up only a small part of the cost of buying the company and borrow the rest. The buying group or equity participants almost always consists of the company's management along with a variety of other investors that can include insurance companies, pension funds, and sometimes even the "special boutiques" that arrange the deal. (There are cases where the purchasing group does not include members of management. The buyer could be a minority shareholder or an outside private investor. For instance, Irwin L. Jacobs, a Minneapolis investor, held some 16% of the shares outstanding of Kaiser Steel Corp. and offered to acquire the remaining 84% for a total of $270.7 million. He was unsuccessful since a group led by Tulsa, Oklahoma investor J. A. Frates offered $377.9 million for all of Kaiser.)

The availability of investors has been instrumental in stimulating the unit management buyout/going private/leveraged buyout trend. The potential equity participants are, naturally, attracted to the idea of investing in an existing business with a proven track record, rather than incurring more risk with new business start-ups. More important, investors have been lured by high rates of return. Leveraged deals, if successful, can become quite profitable. The company going private or the unit being divested must generate enough cash flow to service the debt and at the same time provide operating funds. The company must have a low debt-to-equity ratio and a secure position in its market with stable earnings and low capital expenditures. The low debt allows the buyers to incur large new borrowings to cover the purchase price. Stable earnings insure a solid cash flow while low capital expenditures free up cash flow for debt service. The company can also write up its assets' value to reflect the purchase price, making it possible to charge more depreciation. This tax advantage shelters the earnings which result in an even higher cash flow. Because the company is highly leveraged, managers also have a greater incentive to increase productivity and cost efficiency in order to maximize cash flow. As the cash flow increases, the debt is quickly paid down and the equity position rises dramatically.

Risks, however, do exist. An economic slump or an increase in interest rates could squeeze cash flow, thereby hindering or even destroying the firm's ability to repay loans.

Of the 36 going private deals in 1983, 16 were announced in the fourth quarter with nine of the 16 valued over $100 million. The sudden rash of these large buyouts appeared to have been touched off by a deal announced at the end of September. At the time of the announcement, the $810 million buyout of Wometco Enterprises Inc. was the largest going private deal in history and the largest leveraged buyout. This was soon surpassed when in December Metromedia Inc.'s top executives announced a plan to take Metromedia private for an estimated $1.5 billion.

A total of 14 deals with price tags of $100 million or more contributed to the surge in aggregate dollars paid for going private transactions. The 1983 total dollar value paid for going private deals rose 154% to $7.1 billion from $2.8 billion.

GOING PRIVATE
AGGREGATE DOLLARS PAID
1979 — 1983

Year	Total Dollar Value Paid (millions)	Number of $100 Million Plus Deals	Average Purchase Price (millions)	Median Purchase Price (millions)
1979	$ 636.0	1	$ 39.8	$ 7.9
1980	967.4	3	74.4	25.3
1981	2,338.5	4	137.6	41.1
1982	2,836.7	11	91.5	29.6
1983	7,145.4	14	198.5	77.8

Source: W. T. Grimm & Co.

Figure 35.

The increase in unit management buyouts/going private deals, particularly the larger ones, is also being propelled by a widespread availability of funds, especially the commercial banks' willingness to provide financing for these leveraged deals. Many large banks have been recently forming buyout departments to generate loan demand. Since traditional corporate credit demands have been restrained, banks are finding it necessary to seek other high-yielding loans. Because the leveraged buyout candidate does not have a credit rating of a top corporation, it usually pays above-prime rates.

The subsequent figure provides the average and median price earnings ratio paid together with the average and median premium paid over market price for the last five years.

GOING PRIVATE
VALUATION OF TRANSACTIONS
1979 — 1983

	Price/Earnings Ratio Paid		Premium Paid Over Market Price	
Year	**Average**	**Median**	**Average**	**Median**
1979	10.0X	8.1X	106.4%	65.6%
1980	10.9	10.7	49.2	36.2
1981	11.5	9.7	31.3	26.7
1982	11.2	11.0	41.4	38.6
1983	18.6	13.8	36.7	31.3

Source: W. T. Grimm & Co.

Figure 36.

The increase in the P/E paid and the decline in the premium paid over market reflect the change in the types of companies that are going private. Leveraged buyout candidates were usually quite undervalued, slow-growing companies in basic manufacturing industries where the companies' solid assets, such as heavy equipment, were used to secure the debt. The majority of companies were in industries such as textiles and apparel, machine tools and other industrial goods, building and construction products—industries that tend to sell for lower P/E multiples. The fact that most of these companies were undervalued explains the higher percent premium over market.

Within the last year or so, the universe of candidates has expanded to include non-manufacturers and even companies in glamour industries such as broadcasting and motion pictures, resulting in higher P/Es and lower premiums over market. Assets are no longer the primary form of collateral. Lenders put up money based on strong management, solid cash flow and product viability. Note the 18.6 average P/E paid during 1983. Examples of the high multiples that biased the average include the 44.5 times earnings paid for Metromedia, a television and radio broadcaster; 29.6 for Wometco Enterprises, a concern with interests in broadcasting, soft drink bottling and vending; 43.9 for MGM/UA Entertainment, a producer of motion pictures (the MGM deal was later cancelled); and 38.7 for Meenan Oil Co., a wholesaler/retailer of petroleum products.

The twenty largest going private deals since 1979 are listed in the following figure. They are also most likely the largest in corporate history. The total dollar value paid for the 20 deals aggregated $9.8 billion. The average P/E paid was 19.6 times earnings and the average premium paid over market was 42.9%. Half of the 20 deals were announced in 1983.

GOING PRIVATE
TWENTY LARGEST DEALS
1979 — 1983

Year Announced	Company Name [business and/or product line]	Approximate Purchase Price (millions)	Average P/E Paid	Average Premium Paid over Market
1983	***Metromedia, Inc.** [radio & television broadcaster]	$1,467.9	44.5X	140.0%
1983	***Wometco Enterprises, Inc.** [broadcasting, bottling, vending]	810.0	29.6	16.6
1981	**Twentieth Century-Fox Film Corp.** [motion picture producer]	683.4	12.3	11.6
1983	**MGM/UA Entertainment Co.** [motion picture producer] remaining 49.9% Cancelled in January, 1984	620.7	43.9	104.1
1983	***Dr. Pepper Co.** [third largest soft drink co.]	512.2	—	37.5
1981	**Reliance Group, Inc.** [insurance holding] remaining 60%	483.0	10.0	16.7
1979	**Congoleum Corp.** [home furnishings]	446.6	9.8	43.4
1983	***Amstar Corp.** [sugar—packaging]	428.6	20.1	47.5
1982	**Signode Corp.** [hand tools]	426.1	13.9	32.5
1981	**Norris Industries, Inc.** [diversified manufacturer]	420.0	16.4	47.2
1981	**Fred Meyer, Inc.** [food retailer & distributor]	398.0	17.9	41.9
1980	**Rapid-American Corp.** [diversified manufacturer & retailer] remaining 76%	393.6	14.9	119.4
1983	***Dorchester Gas Corp.** [oil & gas]	391.0	22.3	30.4
1983	***Cone Mills Corp.** [textiles]	385.1	23.9	8.9
1983	***Kaiser Steel Corp.** [integrated steel co.]	377.9	—	36.8
1982	**Purex Industries, Inc.** [bleaches—detergents—drugs]	357.0	12.6	21.2
1982	**Dillingham Corp.** [construction—energy—maritime]	346.7	13.2	38.9
1983	***ACF Industries, Inc.** [oilfield equipment] remaining 73%	340.4	—	11.2
1983	**Albany International Corp.** [industrial fabrics]	270.4	16.6	30.1
1982	**Arcata Corp.** [forest products]	257.8	10.9	23.0
	Totals & Averages	$9,816.4	19.6X	42.9%

**pending as of 12/31/83*

P/Es were not computed for Kaiser Steel and ACF since both firms experienced earnings losses, while a P/E for Dr. Pepper would have been irrelevant since the firm reported trailing twelve months' earnings of $0.39 a share, at the time the deal was announced, and was offered $22 a share.

P/Es were computed on the companies' trailing twelve months' earnings at time of the announcement. Premiums over market were based on the companies' closing stock price five days prior to the initial announcement.

Source: W. T. Grimm & Co.

Figure 37.

PERCENT PREMIUM PAID OVER MARKET PRICE*

The tremendous surge in the 1983 stock market produced a scarcity of undervalued target companies. Consequently, acquirers no longer offered hefty premiums for the common stock of target companies. The 1983 average premium paid over market price, calculated on 168 acquisitions of publicly traded companies, dropped to 37.7% from 47.4% (based on 176 transactions) in 1982. The 1983 average premium was the lowest since 1972, when acquirers paid an average 33.8% over the market price of acquired publicly traded companies. The following chart provides the average percent premiums paid over market together with the Dow Jones Industrial Average's high and low for each year since 1968.

PERCENT PREMIUM PAID OVER MARKET PRICE

1968 — 1983

DJIA High	DJIA Low	Year	Average	Median	Base
985.21	825.13	1968	25.1	na	271
968.85	769.93	1969	25.7	na	191
842.00	631.16	1970	33.4	na	80
950.82	797.97	1971	33.1	na	74
1036.27	889.15	1972	33.8	na	93
1051.70	788.31	1973	44.5	na	145
891.66	577.60	1974	50.1	43.1	147
881.81	632.04	1975	41.4	30.1	129
1014.79	858.71	1976	40.4	31.1	168
999.75	800.85	1977	40.9	36.2	218
907.74	742.12	1978	46.2	41.5	240
897.61	796.67	1979	49.9	47.6	229
1000.17	759.13	1980	49.9	44.6	169
1024.05	824.01	1981	48.0	41.9	166
1070.55	776.92	1982	47.4	43.5	176
1287.20	1027.04	1983	37.7	34.0	168

Base: The number of transactions where a premium over market was paid. Premiums can only be calculated on acquisitions of publicly traded companies.

Source: W. T. Grimm & Co.

Figure 38.

**Premium paid tabulations are based on the seller's closing market price five business days prior to the initial announcement. Prior to 1979, tabulations were based on two business days.*

Historical Note

During the conglomerate merger wave of the '60s, the average premium paid over market ranged between 13% and 25%. The depressed stock market conditions of the 1970s were accompanied by substantial increases in the average premium paid. The highest average premium, 50.1% occurred in 1974 when the stock market reached its lowest level (577.60) in a decade. While looking at figure 38, note the higher premiums during periods of relatively poor stock performance: 44.5% in 1973 when the stock market began its descent which ended in 1974; 46.2% in 1978 when the Dow Jones Industrial Average tumbled down to 742.12, a three-year low; and 49.9% in 1979 when the DJIA could not even advance above the 900 level. During periods of relatively weaker stock market conditions, investors tend to regard their depressed stockholdings as only temporarily undervalued. Therefore, higher premiums are offered to induce the investors to sell their holdings.

The annual distribution of premiums paid for the last ten years are charted in Figure 39. Notice the years in which the average premium paid was 45% or more over market: 50.1% in 1974, 46.2% in 1978, 49.9% in 1979 and 1980, 48.0% in 1981, and 47.4% in 1982. In each of these years, there were more than 30 transactions with premiums of over 80%.

DISTRIBUTION OF PREMIUMS PAID
1974 — 1983

Percent Premium Paid Over Market	Number of Transactions				
	1974	**1975**	**1976**	**1977**	**1978**
0.1 - 20.0	28	36	45	58	47
20.1 - 40.0	40	38	56	62	69
40.1 - 60.0	23	21	24	50	56
60.1 - 80.0	24	17	21	20	34
80.1 - 99.9	13	6	9	12	10
Over 99.9	19	11	13	16	24
	1979	**1980**	**1981**	**1982**	**1983**
0.1 - 20.0	40	30	35	34	45
20.1 - 40.0	54	45	45	47	56
40.1 - 60.0	54	34	32	44	42
60.1 - 80.0	37	27	22	22	11
80.1 - 99.9	24	16	12	15	6
Over 99.9	19	17	20	16	8

Source: W. T. Grimm & Co.

Figure 39.

Figure 40 compares the average percent premium paid for a controlling interest with that for a minority interest.

PERCENT PREMIUM PAID
CONTROLLING VS. MINORITY

	1981	1982	1983
Average Paid for a Controlling Interest	50.5	48.5	37.8
Average Paid for a Minority Interest	31.1	29.6	35.9

Source: W. T. Grimm & Co.

Figure 40.

A comparison of the premiums paid with respect to the dollar value of the transaction and the method of payment is displayed in Figure 41.

PERCENT MEDIAN PREMIUM PAID
1980 — 1983

I. COMPARISON BY DOLLAR VALUE

Value of Purchase Price	1980	1981	1982	1983
$25 million or less	48.4	38.0	43.8	25.1
$25.1 — 50.0 million	43.8	47.5	45.7	35.4
$50.1 — 100.0 million	35.1	34.6	41.1	21.1
Over $100 million	45.1	49.1	43.6	39.5

II. COMPARISON BY METHOD OF PAYMENT

	1980	1981	1982	1983
Cash	45.1	38.0	36.6	34.8
Stock	38.0	47.1	47.9	33.4
Combination	53.4	56.0	55.0	35.0

Source: W. T. Grimm & Co.

Figure 41.

Figure 42 compares the median premium paid between lower priced stocks and higher priced stocks.

PERCENT MEDIAN PREMIUM PAID
LOW PRICED STOCKS VS. HIGH PRICED STOCKS
1981 — 1983

Seller's Market Price Five Days Prior to Announcement	Median Premium Paid		
	1981	1982	1983
$10.00 & under	51.2	64.2	41.8
$10.125 - 25.00	43.1	38.1	32.6
$25.125 - 50.00	38.0	30.8	35.0
Over $50.00	30.1	30.1	20.0

Source: W.T. Grimm & Co.

Figure 42.

A comparison of the premiums paid with respect to the seller's price earnings ratio is provided in Figure 43.

PERCENT MEDIAN PREMIUM PAID
WITH RESPECT TO SELLER'S P/E

Seller's P/E Ratio Five Days Prior to Announcement	Percent Median Premium Paid [Base]	
	1982	1983
1.0 - 5.0X	63.4 [15]	80.0 [4]
5.1 - 8.0	53.7 [41]	42.1 [17]
8.1 - 10.0	34.6 [28]	35.4 [22]
10.1 - 12.0	33.4 [18]	25.1 [16]
12.1 - 15.0	38.6 [15]	30.1 [18]
Over 15.0	30.1 [34]	30.1 [61]

In 1982, there were 24 companies which were operating at a deficit when acquired. Based on those 24 cases, the median premium paid over market was 57.5%. In 1983, 29 companies were operating at a deficit and the median premium paid was 53.7%.

Source: W.T. Grimm & Co.

Figure 43.

An inspection of the 1983 WTG Transaction Roster for the five largest and the five smallest premiums paid disclosed the following results. Among the five largest premiums, three were for companies with low priced stocks. Ames Department Stores paid approximately $3.81 in common and preferred stock for each share of KDT Industries which was selling at $1 a share in the market at the time the offer was announced. American Plan offered $7.39 in common and preferred stock for each share of American Guaranty which was selling at $3 a share. Selling at $4 a share, Geophysical Field Surveys received a $8.65 per share bid consisting of cash, notes, and common stock.

Buyer	**Seller**	**Percent Premium Paid Over Market**
Ames Department Stores, Inc.	KDT Industries, Inc.	281.0
Sun Co., Inc.	Exeter Oil co.	196.9
American Plan Corp.	American Guaranty Financial Corp.	146.3
Private Group	Metromedia, Inc.	140.0
Digicon, Inc.	Geophysical Field Surveys, Inc.	116.3
Reliance Group Holdings, Inc.	Pargas, Inc.	0.7
American Hospital Supply Corp.	Haemonetics Corp.	0.8
Private—chairman of Universal	Universal Cigar Corp. (remaining 16%)	1.0
General Host Corp.	Frank's Nursery & Crafts, Inc.	1.3
Bank of Boston Corp.	RIHT Financial Corp.	1.7

More details on these acquisitions are provided in the Transaction Roster.

Average percent premiums paid over market for each of the 50 WTG industry classifications appear next. Base numbers on which the averages were computed are also provided.

INDUSTRY CLASSIFICATIONS
PERCENT PREMIUM PAID OVER MARKET

	Average Premium Paid Over Market [Base]		
Seller's Industry Classification	**1981**	**1982**	**1983**
Agricultural Production	—	33.0 [2]	19.4 [3]
Food Processing	55.1 [4]	46.8 [9]	48.6 [5]
Beverages	—	51.6 [7]	33.6 [3]
Apparel	49.2 [3]	1.4 [1]	19.1 [2]
Textiles	37.9 [1]	34.5 [6]	32.4 [6]
Timber & Forest Products	23.3 [2]	23.0 [1]	—
Paper	—	83.2 [1]	19.0 [1]
Packaging & Containers	99.9 [1]	—	29.1 [2]
Furniture	—	17.2 [2]	2.1 [1]
Building Products & Materials	55.6 [1]	61.7 [3]	71.3 [2]
Household Goods	65.1 [2]	41.2 [3]	30.8 [3]
Printing & Publishing	42.9 [1]	—	43.1 [4]
Chemicals, Paints & Coatings	30.0 [5]	33.6 [3]	—
Drugs, Medical Supplies & Equipment	22.3 [3]	35.5 [6]	25.7 [2]
Toiletries & Cosmetics	—	23.5 [1]	—
Plastics & Rubber	65.9 [2]	—	7.0 [1]
Stone, Clay & Glass	40.3 [1]	82.0 [1]	35.9 [2]
Primary Metal Processing	14.5 [3]	—	35.6 [3]
Fabricated Metal Products	36.7 [4]	54.5 [3]	—
Industrial & Farm Machinery & Equipment	53.2 [10]	49.5 [9]	28.9 [6]
Construction, Mining & Oil Field Machinery & Equipment	—	33.3 [1]	41.4 [3]
Valves, Pumps & Hydraulics	73.1 [1]	64.7 [1]	—
Autos & Trucks	3.0 [1]	—	—
Automotive Products & Accessories	—	—	—
Electrical Equipment	46.3 [4]	93.0 [1]	39.1 [1]
Office Equipment & Computer Hardware	41.0 [4]	39.0 [3]	64.8 [1]
Electronics	65.4 [6]	27.0 [4]	25.3 [3]
Aerospace, Aircraft & Defense	52.4 [1]	42.1 [2]	38.9 [1]
Instruments & Photographic Equipment	36.0 [4]	82.9 [2]	24.0 [3]
Toys & Recreational Products	—	42.7 [2]	—
Miscellaneous Manufacturing	17.5 [1]	68.7 [1]	28.5 [1]
Oil & Gas	40.8 [11]	36.4 [14]	38.3 [23]
Mining & Minerals	66.6 [5]	99.9 [1]	—
Transportation	54.4 [4]	66.8 [3]	23.5 [1]
Communications	14.5 [1]	52.9 [1]	—
Broadcasting	37.7 [2]	—	69.4 [2]
Electrical, Gas, Water & Sanitary Services	—	68.2 [2]	60.7 [2]
Wholesale & Distribution	45.2 [5]	47.0 [2]	32.9 [4]
Retail	55.0 [14]	50.3 [12]	43.1 [5]
Banking & Finance	53.6 [14]	60.3 [22]	40.6 [31]
Insurance	40.4 [12]	53.0 [11]	62.3 [7]
Real Estate	63.3 [4]	17.1 [2]	—
Brokerage, Investment & Management Consulting Services	72.2 [4]	17.4 [2]	36.9 [3]
Computer Software, Supplies & Services	46.5 [3]	75.0 [2]	31.3 [2]
Construction Contractors & Engineering Services	57.2 [1]	8.7 [1]	41.1 [2]
Energy Services	99.9 [1]	86.5 [1]	99.9 [1]
Health Services	47.9 [5]	53.8 [3]	30.3 [7]
Leisure & Entertainment	35.7 [7]	37.9 [6]	32.9 [6]
Miscellaneous Services	45.6 [4]	32.2 [6]	24.6 [4]
Conglomerate	55.4 [4]	46.7 [10]	31.8 [9]
Total Averages	48.0 [166]	47.4 [176]	37.7 [168]

ACQUISITIONS OF PRIVATELY OWNED COMPANIES

Acquisitions of privately owned companies increased 8% to 1,316 transactions from 1,222 in 1982. The increase reflected better offers, based on a stronger economy and resultant higher stock prices which permitted acquirers to offer more attractive bids to sellers. The average price earnings ratio paid for private companies rose from 11.0 times earnings in 1982 to 13.0 in 1983. (See page 82 for discussion of Price/Earnings Ratios Paid.) At the same time, the stronger economy enabled some privately held firms to strengthen their balance sheets, thereby attracting higher prices.

ACQUISITIONS OF PRIVATELY HELD COMPANIES
1976 — 1983

Year	Number of Acquisitions	Percent of Total Acquisition Activity
1976	856	38%
1977	971	44%
1978	969	46%
1979	1,049	49%
1980	988	52%
1981	1,330	56%
1982	1,222	52%
1983	1,316	52%

Source: W. T. Grimm & Co.

Figure 44.

As the above figure indicates, the purchase of privately held companies is a significant, if not the most fundamental, component of merger and acquisition activity. The majority of these acquisitions fall into two main situations which are characterized by the seller's motivation. Lack of an heir to take over the business is probably the most frequent motive for selling. Since the owner is nearing retirement, the sale of his company also provides him needed liquidity for estate tax purposes. The second most common selling scenario involves a company experiencing the pressures of growth. Increasing demand for the company's products or services exerts pressure on the firm to become more sophisticated and efficient in its operations. To fulfill these demands, the owner/entrepreneur sells his business so that he can obtain needed financing for expansion and rely on the professional management assistance a larger firm can provide.

The owner of a growing business can select another option to obtain liquidity for estate tax purposes. An alternative to selling is going public. An owner/entrepreneur can also meet his financing demands by obtaining capital via the stock market through initial public offerings. The stock market of the '70s, however, was too anemic to raise sufficient funds. Due to this low level of investor interest in new stock offerings, selling and/or merging became the better alternative, resulting in more acquisitions of privately owned businesses in the mid to late '70s.

The most dramatic increase in private acquisitions was the 35% jump from 988 transactions in 1980 to 1,330 in 1981. Persistent high interest rates and dwindling cash flows had forced many undercapitalized concerns to sell out. Rather than struggle to weather a recession beset with double digit interest rates, many owners chose to sell their businesses.

The 1983 increase in acquisitions of private sellers primarily took place in the third and fourth quarters. Quarterly totals were 289 in the first quarter of 1983, 282 in the second, 350 in the third, and 395 in the fourth.

Contrary to acqusitions of publicly traded companies, most purchases of privately held sellers are small transactions involving exchanges of stock. (See Figure 45.) Because their concern for tax liability is greater, owners of private companies choose tax-free exchanges of securities rather than cash.

ACQUISITIONS OF PRIVATELY OWNED COMPANIES
1979 — 1983

I. DOLLAR VALUE

Number (Percent of Transactions Disclosing Price)

Value of Purchase Price	1979	1980	1981	1982	1983
$ 5 million or less	257 (51%)	219 (49%)	265 (46%)	197 (47%)	198 (40%)
$ 5.1 - 10.0 million	115 (23%)	94 (21%)	136 (23%)	85 (20%)	116 (23%)
$10.1 - 15.0 million	42 (8%)	42 (9%)	62 (11%)	52 (12%)	55 (11%)
$15.1 - 25.0 million	36 (7%)	30 (7%)	43 (7%)	35 (8%)	56 (11%)
$25.1 - 50.0 million	30 (6%)	40 (9%)	45 (8%)	29 (7%)	48 (10%)
$50.1 - 100.0 million	18 (3%)	16 (4%)	18 (3%)	15 (4%)	19 (4%)
Over $100 million	8 (2%)	4 (1%)	12 (2%)	7 (2%)	8 (1%)
Number Transactions Disclosing Price	506	445	581	420	500

II. METHOD OF PAYMENT

Number (Percent of Transactions Disclosing Payment Form)

	1979	1980	1981	1982	1983
Cash	263 (39%)	198 (32%)	213 (28%)	137 (24%)	129 (20%)
Stock	278 (41%)	286 (46%)	379 (50%)	256 (44%)	306 (48%)
Combination	139 (20%)	129 (21%)	159 (21%)	169 (29%)	202 (31%)
Debt	3 (—)	5 (1%)	8 (1%)	16 (3%)	6 (1%)
Number Transactions Disclosing Payment Form	683	618	759	578	643

Source: W. T. Grimm & Co.

Figure 45.

PRICE/EARNINGS RATIOS PAID

The price paid as a multiple of the acquired company's earnings is only computable when both the total price paid and the earnings of the seller are disclosed. In 1983, such information was available for 189 transactions, only 7% of the total merger-acquisition-divestiture count. Due to the usual substantial percentages of private sellers and divestitures, few transactions release sufficient data on which to calculate price/earnings ratios paid. The subsequent P/E multiples should not, therefore, be construed as representative of all mergers and acquisitions. They simply provide a set of guidelines.

Based on the 189 transactions of 1983, the average P/E ratio paid was 16.7 times earnings, up significantly from the 13.9 (based on 193 transactions) calculated for 1982. The higher multiple reflects the general upward movement of the stock market. The Standard & Poor's index of 500 stocks P/E multiple rose from 10.5 at year end 1982 to 12.7 at year end 1983.

The annual distribution of P/E ratios paid for the last five years are presented in the next chart. Average and median values are also provided.

DISTRIBUTION OF P/E RATIOS PAID
1979 — 1983

Price/Earnings Ratio Paid	1979	1980	1981	1982	1983
0.1— 8.5	78	61	40	42	24
8.6—10.5	60	42	31	28	21
10.6—13.0	60	40	51	41	34
13.1—17.0	61	45	40	41	36
17.1—25.0	51	17	39	22	44
Over 25.0	23	38	29	19	30
Total Number Transactions Disclosing P/E Paid	333	243	230	193	189
Average P/E Paid	14.3	15.2	15.6	13.9	16.7
Median P/E Paid	11.6	11.3	12.7	12.1	14.5

Source: W. T. Grimm & Co.

Figure 46.

A noteworthy item is the comparison between multiples paid for publicly traded companies and those paid for privately owned businesses. The 1983 average P/E ratio paid for public companies was 18.1, while the average multiple paid for private firms was 13.0. The comparable averages in 1982 were 14.7 for public and 11.0 for private. Median values for the last five years are listed in Figure 47. They indicate that higher P/E multiples are paid for public companies than private concerns. Since publicly traded companies tend to be larger, more sophisticated businesses with solid market shares, they are more likely to command correspondingly higher price multiples.

MEDIAN P/E PAID
PUBLIC VS. PRIVATE
1979 — 1983

	1979	1980	1981	1982	1983
Acquisitions of Public Companies	11.8	11.5	14.0	12.8	15.5
Acquisitions of Private Companies	11.3	10.3	11.5	10.1	11.5

Source: W. T. Grimm & Co.

Figure 47.

Comparisons of median P/E ratios paid with respect to the dollar value of the transaction and the method of payment are presented in the following table.

MEDIAN P/E PAID
1980 — 1983

I. COMPARISON BY DOLLAR VALUE

Price Paid Value	1980	1981	1982	1983
$25 million or less	10.2	11.0	10.4	13.5
$25.1 — 50.0 million	9.5	13.7	12.0	14.7
$50.1 — 100.0 million	13.7	13.5	13.3	12.4
Over $100 million	13.7	15.4	13.1	17.4

II. COMPARISON BY METHOD OF PAYMENT

	1980	1981	1982	1983
Cash	11.0	13.5	12.4	15.8
Stock	12.8	14.5	12.0	17.9
Combination	11.3	12.6	12.2	12.5

Source: W. T. Grimm & Co.

Figure 48.

Figure 49 charts the percent premium paid over Standard & Poor's index of 500 stocks since 1968.

PRICE/EARNINGS RATIOS
PREMIUM PAID OVER S&P 500
1968 — 1983

Year	Standard & Poor's Index of 500 Stocks*	WTG Average P/E Paid#	Percent Premium Over S&P 500
1968	18.1	24.6	35.9%
1969	15.1	21.0	39.1%
1970	16.7	23.1	38.3%
1971	18.3	24.3	32.8%
1972	19.1	21.4	12.0%
1973	12.2	18.9	54.9%
1974	7.3	13.5	84.9%
1975	11.7	13.3	13.7%
1976	11.0	15.1	37.2%
1977	8.8	13.8	56.8%
1978	8.3	14.3	72.2%
1979	7.4	14.3	93.2%
1980	8.0	15.2	90.0%
1981	8.5	15.6	83.5%
1982	10.5	13.9	32.4%
1983	12.7	16.7	31.5%

*Based upon an average of weekly prices and quarterly earnings.

#Based upon prices paid in all transactions where earnings information was available.

Source: W. T. Grimm & Co.

Figure 49.

The fact that the percent premium paid over the S&P index dramatically increased during the last half of the 1970s suggests that the stock market was greatly undervalued. Concerned about inflation, the individual stock market investor began to emphasize a short-term investment strategy rather than a long-term plan. The stock market valued companies based on their present performance; i.e. quarterly earnings. The purchase price of an acquisition, on the other hand, represented the target company's future value as perceived by the acquirer.

An inspection of the 1983 WTG Transaction Roster for the five largest and five smallest P/E ratios paid disclosed the following:

Buyer	Seller	P/E Ratio Paid
Godfathers Pizza, Inc.	Pizza Ventures, Inc.	46.6X
Newell Cos.	Mirror Corp. (remaining 67%)	45.0
Private Group	Metromedia, Inc.	44.5
Brown-Forman Distillers Corp.	Lenox, Inc.	41.5
Private Group	Meenan Oil Co.	38.7
Housing Industries of America, Inc.	Great Divide Coach Mfg. Co.	1.1
Vagabond Hotels, Inc.	Financial Corp. of Santa Barbara (additional 41%)	2.0
Private Group	Medevco	2.2
Private Group	Shapely, Inc.	2.7
Pope, Evans & Robbins, Inc.	Derotchild Knitwear, Inc.	2.8

More details on these acquisitions are provided in the Transaction Roster.

Individual average price earnings ratios paid for the 50 WTG industry classifications are listed next. Base numbers on which the averages were computed are also provided.

INDUSTRY CLASSIFICATIONS
P/E RATIOS PAID

	Average P/E Ratio Paid [Base]		
Seller's Industry Classification	**1981**	**1982**	**1983**
Agricultural Production	6.0 [3]	10.0 [2]	13.7 [2]
Food Processing	13.1 [6]	12.3 [13]	14.3 [5]
Beverages	14.5 [2]	10.4 [4]	17.0 [2]
Apparel	8.3 [3]	8.2 [3]	7.2 [3]
Textiles	3.4 [1]	11.1 [6]	17.9 [5]
Timber & Forest Products	13.7 [2]	10.9 [1]	—
Paper	—	8.2 [2]	13.8 [1]
Packaging & Containers	12.0 [4]	—	15.2 [2]
Furniture	7.7 [1]	8.9 [3]	10.6 [2]
Building Products & Materials	16.3 [1]	27.3 [1]	14.2 [2]
Household Goods	11.1 [3]	11.0 [2]	27.1 [4]
Printing & Publishing	—	15.3 [1]	14.2 [7]
Chemicals, Paints & Coatings	14.1 [6]	22.7 [3]	—
Drugs, Medical Supplies & Equipment	20.1 [4]	20.8 [7]	31.9 [1]
Toiletries & Cosmetics	—	15.7 [1]	12.6 [2]
Plastics & Rubber	27.5 [2]	—	8.4 [1]
Stone, Clay & Glass	14.9 [2]	11.6 [3]	12.8 [2]
Primary Metal Processing	10.5 [5]	—	9.5 [3]
Fabricated Metal Products	11.4 [7]	14.9 [3]	17.7 [1]
Industrial & Farm Machinery & Equipment	11.6 [10]	12.4 [10]	13.3 [5]
Construction, Mining & Oil Field Machinery & Equipment	4.6 [2]	23.0 [1]	28.0 [2]
Valves, Pumps & Hydraulics	7.3 [2]	9.2 [1]	16.6 [2]
Autos & Trucks	—	—	—
Automotive Products & Accessories	15.9 [1]	11.9 [1]	—
Electrical Equipment	21.9 [6]	13.2 [2]	18.1 [1]
Office Equipment & Computer Hardware	35.7 [3]	12.7 [3]	24.4 [3]
Electronics	16.4 [10]	17.8 [5]	16.1 [5]
Aerospace, Aircraft & Defense	11.8 [1]	11.4 [2]	20.9 [2]
Instruments & Photographic Equipment	20.2 [5]	8.8 [3]	30.5 [2]
Toys & Recreational Products	—	8.2 [1]	1.1 [1]
Miscellaneous Manufacturing	9.1 [2]	—	18.7 [2]
Oil & Gas	15.9 [15]	19.4 [12]	17.8 [18]
Mining & Minerals	18.2 [6]	1.7 [1]	9.7 [1]
Transportation	17.1 [3]	8.2 [5]	14.1 [2]
Communications	11.5 [2]	31.3 [1]	—
Broadcasting	58.9 [2]	—	36.3 [2]
Electrical, Gas, Water & Sanitary Services	20.0 [1]	13.0 [3]	14.2 [3]
Wholesale & Distribution	10.5 [10]	8.8 [4]	11.7 [5]
Retail	14.4 [11]	16.9 [11]	13.5 [7]
Banking & Finance	12.5 [24]	13.1 [22]	13.2 [33]
Insurance	14.0 [15]	13.4 [12]	15.0 [8]
Real Estate	19.2 [3]	18.7 [2]	8.5 [4]
Brokerage, Investment & Management Consulting Services	11.4 [5]	9.1 [3]	19.5 [4]
Computer Software, Supplies & Services	24.2 [5]	—	26.6 [5]
Construction Contractors & Engineering Services	66.2 [1]	11.0 [3]	14.2 [1]
Energy Services	12.6 [9]	7.6 [2]	8.1 [1]
Health Services	24.5 [8]	31.6 [3]	21.2 [8]
Leisure & Entertainment	19.7 [6]	17.5 [5]	30.1 [5]
Miscellaneous Services	12.7 [6]	11.9 [10]	17.0 [5]
Conglomerate	20.7 [4]	13.3 [10]	20.5 [7]
Total Averages	15.6 [230]	13.9 [193]	16.7 [189]

Regrouping the 50 WTG classifications into 12 industry sectors allows a better interpretation of P/Es and premiums.

INDUSTRY SECTORS
P/E RATIOS PAID
&
PERCENT PREMIUMS PAID OVER MARKET

	Average P/E Paid [Base]			Average Premium Paid [Base]		
Industry Sector	**1981**	**1982**	**1983**	**1981**	**1982**	**1983**
Agricultural Production	6.0X[3]	10.0X[2]	13.7X[2]	—	33.0%[2]	19.4%[3]
Manufacturing	14.2 [89]	14.1 [81]	16.6 [68]	45.6%[63]	48.2 [72]	32.9 [56]
Natural Resources	15.9 [23]	10.7 [14]	13.8 [19]	43.6 [18]	53.1 [16]	38.3 [23]
Transportation	17.1 [3]	8.2 [5]	14.1 [2]	54.4 [4]	66.8 [3]	23.5 [1]
Communications & Broadcasting	35.2 [4]	31.3 [1]	36.3 [2]	26.1 [2]	52.9 [1]	69.4 [2]
Utilities	20.1 [1]	13.0 [3]	14.2 [3]	—	68.2 [2]	60.7 [2]
Wholesale & Distribution	10.5 [10]	8.8 [4]	11.7 [5]	45.2 [5]	47.0 [2]	32.9 [4]
Retail	14.4 [11]	16.9 [11]	13.5 [7]	55.0 [14]	50.3 [12]	43.1 [5]
Financial Services	12.6 [44]	11.9 [37]	15.9 [45]	55.4 [30]	43.6 [35]	46.6 [41]
Other Services	26.7 [35]	15.9 [23]	19.5 [25]	55.5 [21]	49.0 [19]	43.4 [22]
Real Estate	19.2 [3]	18.7 [2]	8.5 [4]	63.3 [4]	17.1 [2]	—
Conglomerate	20.7 [4]	13.3 [10]	20.5 [7]	55.4 [4]	46.7 [10]	31.8 [9]
Total Averages	15.6[230]	13.9[193]	16.7[189]	48.0 [166]	47.4 [176]	37.7 [168]

CONTINGENT PAYOUTS

Acquisitions utilizing contingent payouts during 1983 numbered 37, compared with 51 in 1982. Contingent payouts are supplementary payments based on the future earnings of the acquired concern. They are used to overcome the buyer's difficulty in determining the present value or future growth rate of a selling company. Thus, the contingent provision serves as (1) a protection for the buyer against overvaluation of the seller, and (2) an incentive for the seller's management to remain. The majority of acquired companies in such transactions are small privately held companies and/or service oriented establishments. Among the 37 transactions containing contingent provisions in 1983, 25 or 68% involved service oriented seller companies, with 12 companies in the Computer Software, Supplies & Services industry classification.

CONTINGENT PAYOUTS
1974 — 1983

1974—33
1975—20
1976—32
1977—22
1978—25
1979— 9
1980—33
1981—52
1982—51
1983—37

Source: W. T. Grimm & Co.

Figure 50.

ANNUAL SALES OF ACQUIRED COMPANIES

An aggregate of 1,601 transactions involved the sale of an entire company. Among these acquisitions, 642 sellers disclosed their annual sales. Annual distributions of seller companies (non-divestitures) by their annual sales for the last five years are provided in the subsequent figure.

DISTRIBUTION OF SELLERS BY SALES
1979 — 1983

	Percentage of Sellers Disclosing Sales				
Annual Sales Volume	**1979**	**1980**	**1981**	**1982**	**1983**
$10 million or less	44%	41%	41%	39%	40%
$10.1— 50.0 million	29%	34%	36%	35%	35%
$50.1—100.0 million	11%	10%	6%	9%	10%
Over $100 million	16%	15%	17%	17%	15%
Number of Seller Companies Disclosing Annual Sales	644	504	651	559	642

Source: W. T. Grimm & Co.

Figure 51.

GEOGRAPHIC BREAKDOWN*

1983 RANKING OF STATES WITH RESPECT TO THE CONCENTRATION OF SELLERS

	Number of Sellers		
	1981	1982	1983
(1) California	148	130	208
(2) Texas	157	128	132
(3) New York	91	101	112
(4) Illinois	55	65	70
(5) New Jersey	40	56	67
(6) Florida	72	74	65
(7) Massachusetts	40	33	46
(7) Ohio	62	31	46
(9) Pennsylvania	27	61	45
(10) Missouri	34	22	41
(11) Colorado	22	43	39
(12) Connecticut	26	22	37
(13) Georgia	38	31	34
(14) Michigan	36	33	33
(15) North Carolina	17	14	31
(16) Maryland	16	18	29
(16) Virginia	26	31	29
(18) Tennessee	16	17	28
(19) Wisconsin	22	20	27
(20) Oklahoma	32	23	26
(21) Indiana	15	19	21
(22) Minnesota	17	24	20
(23) Louisiana	24	13	19
(23) Washington	13	15	19
(25) Alabama	13	18	18
(26) Iowa	14	18	16
(27) Arkansas	4	2	15
(27) Kentucky	15	15	15
(27) Oregon	11	7	15
(30) Arizona	10	11	13
(30) South Carolina	7	10	13
(32) Utah	7	8	12
(33) Kansas	12	10	8
(34) Nebraska	7	3	7
(35) New Mexico	3	9	6
(36) Nevada	4	7	5
(36) Rhode Island	6	3	5
(38) Maine	5	5	4
(38) New Hampshire	9	9	4
(40) Delaware	3	—	3
(40) District of Columbia	5	4	3
(40) Hawaii	1	3	3
(43) Mississippi	9	11	2
(43) Montana	3	4	2
(43) South Dakota	—	5	2
(43) Vermont	2	1	2
(43) West Virginia	10	1	2
(48) Idaho	2	1	1
(49) North Dakota	2	—	1
(50) Wyoming	5	7	1
(51) Alaska	4	1	—

Source: W. T. Grimm & Co.

Figure 52.

Pertains to the 1,601 non-divestitures of 1983.

Among the 50 states and the District of Columbia, 27 had an increase in the number of sellers, while 16 had fewer sellers than the year before. Five states remained unchanged: Michigan, Alabama, Kentucky, Hawaii, and Idaho. Delaware had no sellers during 1982, yet had three in 1983. North Dakota, also with no sellers in 1982, had one in 1983. Alaska had no sellers in 1983, compared with one in 1982.

New banking legislation introduced in a few states contributed to the geographical increase in activity. A new law in Arkansas which went into effect September 30, 1983 and allows the expansion of bank holding companies resulted in a 650% gain in the number of Arkansas based sellers. Sellers rose from two in 1982 to 15 in 1983.

A few New England states have been instrumental in removing interstate banking barriers. Massachusetts, Connecticut and Rhode Island have established a regional banking system that allows cross-border mergers with banks in other New England states that have similar laws. These regional arrangements are often set up to exclude the big New York banks. Massachusetts based sellers rose from 33 to 46, while sellers in Connecticut increased 68%, rising from 22 to 37. Rhode Island sellers advanced from three to five. New England states as a whole had a 34% increase in sellers and a 77% increase in buyers. (See Figure 54.)

1983 RANKING OF STATES WITH RESPECT TO THE CONCENTRATION OF BUYERS

	Number of Buyers		
	1981	**1982**	**1983**
(1) NewYork	176	168	213
(2) California	127	120	158
(3) Texas	146	109	134
(4) Illinois	79	110	108
(5) New Jersey	29	59	80
(6) Connecticut	48	39	73
(7) Pennsylvania	29	59	68
(8) Georgia	22	47	62
(9) Florida	52	44	60
(10) Massachusetts	36	29	45
(10) Missouri	26	27	45
(10) Ohio	61	50	45
(13) Minnesota	32	52	33
(14) Colorado	16	28	30
(15) Virginia	28	33	29
(16) Michigan	38	32	28
(16) Tennessee	9	12	28
(18) Oklahoma	15	17	26
(19) Maryland	10	16	23
(20) Wisconsin	18	19	21
(21) North Carolina	12	13	20
(22) Indiana	9	18	19
(23) Washington	10	11	14
(24) Alabama	8	12	13
(24) Kansas	1	9	13
(26) Rhode Island	2	3	12
(27) Arkansas	3	3	11
(28) Utah	1	4	10
(29) Arizona	4	8	9
(30) Iowa	9	15	7
(31) Louisiana	8	4	6
(31) Mississippi	4	11	6
(31) New Mexico	1	6	6
(34) Delaware	3	2	5
(34) District of Columbia	6	6	5
(34) Kentucky	11	5	5
(34) Maine	2	2	5
(34) South Carolina	3	8	5
(39) Nebraska	3	4	4
(39) Oregon	9	4	4
(39) Wyoming	—	4	4
(42) Nevada	1	4	3
(42) New Hampshire	3	4	3
(44) Alaska	—	1	2
(44) Hawaii	2	4	2
(46) North Dakota	—	—	1
(47) South Dakota	—	3	1
(48) Idaho	3	—	—
(49) Montana	—	3	—
(50) Vermont	1	1	—
(51) West Virginia	1	1	—

Source: W. T. Grimm & Co.

Figure 53.

Among the 50 states and the District of Columbia, 28 had an increase in the number of buyers, while 13 had fewer buyers than 1982. Five states remained unchanged: New Mexico, Kentucky, Nebraska, Oregon, Wyoming. North Dakota, with no buyers in 1982, had one in 1983. Three states had no buyers in 1983, but had some in 1982: Montana, Vermont, and West Virginia. There were no buyers from Idaho both last year and this year.

REGIONAL* BREAKDOWN
1983

	SELLERS				BUYERS		
	Number		Percent Change		Number		Percent Change
Region	1982	1983		Region	1982	1983	
Middle Atlantic	287	305	+ 6%	Middle Atlantic	347	428	+ 23%
Midwest	250	292	+ 17%	Midwest	339	325	− 4%
Southwest	208	283	+ 36%	Southwest	170	216	+ 27%
South Central	166	192	+ 16%	Southeast	147	194	+ 32%
Southeast	175	191	+ 9%	South Central	133	177	+ 33%
New England	73	98	+ 34%	New England	78	138	+ 77%
Northwest	34	38	+ 12%	Northwest	22	22	—
Alaska & Hawaii	5	3	− 40%	Alaska & Hawaii	2	4	+100%

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*Middle Atlantic: New York, Pennsylvania, New Jersey, Delaware, Maryland, West Virginia, Virginia, Washington, D.C., Kentucky.

Midwest: North Dakota, South Dakota, Nebraska, Kansas, Minnesota, Iowa, Missouri, Wisconsin, Illinois, Michigan, Indiana, Ohio.

Southwest: California, Nevada, Utah, Colorado, Arizona, New Mexico.

South Central: Texas, Oklahoma, Arkansas, Louisiana.

Southeast: Florida, Mississippi, Alabama, Georgia, South Carolina, North Carolina, Tennessee.

New England: Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut.

Northwest: Washington, Oregon, Idaho, Montana, Wyoming.

Source: W. T. Grimm & Co.

Figure 54.

CANCELLATIONS

There were 162 terminated transactions for 1983 which represented 6% of gross merger announcements. This compared with 189 or 7% in 1982. Figure 55 charts the number of gross merger and acquisition announcements, cancelled transactions, net merger and acquisition announcements, and cancellations as a percentage of gross merger activity since 1969.

As the figure shows, cancellations have ranged from 6% to 10% of the gross total number of transactions. The 10% cancellation rates in 1974 and 1975 were attributable to declining stock prices and the resulting difficulty in reaching mutually agreeable exchange ratios. The same held true for 1969 and 1970, when terminations comprised 9% of all deals. The 9% rates in 1979 and 1980 were largely due to the historic and dramatic climb in interest rates. The prime rate rose from 13¼% in October, 1979 to 20% in April, 1980, only to be followed by a rapid decline to 11% in the summer months and a wild comeback to 20% which was surpassed by 21½% in December, 1980. Not only did high interest rates lessen the availability of adequate financing, but the extremely volatile movement of the prime lending rate coupled with double-digit inflation created further obstacles to closing deals. Due to such breakneck economic swings, terms of acquisition agreements become obsolete resulting in cancellations.

Among those cancellations identifying cause of termination, inability to agree on terms is the most frequently cited reason every year, followed by the intrusion of competing bidders and economic conditions.

CANCELLATIONS

1969 — 1983

Year	Gross M & A Announcements	Cancellations	Net M & A Announcements	Cancellations as a % of Gross Announcements
1969	6,727	620	6,107	9%
1970	5,679	527	5,152	9%
1971	4,940	332	4,608	7%
1972	5,116	315	4,801	6%
1973	4,364	324	4,040	7%
1974	3,169	308	2,861	10%
1975	2,564	267	2,297	10%
1976	2,453	177	2,276	7%
1977	2,374	150	2,224	6%
1978	2,277	171	2,106	8%
1979	2,347	219	2,128	9%
1980	2,067	178	1,889	9%
1981	2,558	163	2,395	6%
1982	2,535	189	2,346	7%
1983	2,695	162	2,533	6%

Source: W. T. Grimm & Co.

Figure 55.

The twenty largest cancellations are catalogued in Figure 56. Where available, the reason for each termination is also provided.

TWENTY LARGEST CANCELLATIONS
1983

Buyer/Seller	Approximated Value (millions)	Reason for Cancellation
American Express Co. Alleghany Corp.	$1,067.5	American was not willing to proceed with acquisition of most assets; some analysts labeled deal too costly; American later agreed to acquire only Investors Diversified for $829.1 million.
Coastal Corp. Texas Gas Resources Corp.	1,042.5	Texas contested offer; "White Knight" CSX Corp. acquired Texas for $1,053.5 million. Coastal accepted an $18 million "peace payment" from Texas Gas to end takeover battle.
Kohlberg, Kravis, Roberts & Co. Norton Simon, Inc.	776.7	Kohlberg withdrew offer; Norton Simon acquired by Esmark for $835.5 million.
Private—David Mahoney, chairman of Norton Simon Norton Simon, Inc.	682.5	Mahoney, the first buyer to make an offer for Norton Simon, withdrew and backed Esmark's offer.
Private Group—led by Allen & Co. and included Northwest management Northwest Energy Co.	565.3	Williams Cos. acquired Northwest for $711.2 million. Allen buying group received $26.7 million from Williams for stepping aside from the deal.
Mesa Petroleum Co. General American Oil Co. of Texas	520.0	General American contested Mesa's offer; Phillips Petroleum acquired General for $1,140.0 million. General agreed to pay Mesa's tender offer expenses to the tune of $15 million. Mesa, in turn, withdrew its offer for 51% of General.
Mesa Petroleum Co. KN Energy, Inc.	492.7	Mesa dropped bid because of continuing resistance from KN management.
Anderson Clayton & Co. Norton Simon, Inc.	490.0	Anderson withdrew its offer for 52% of Norton Simon after Norton agreed to be acquired by Esmark.
Texas Commerce Bancshares, Inc. Texas American Bancshares, Inc.	460.0	Texas Commerce withdrew bid due to Texas American's rejection.
Kohlberg, Kravis, Roberts & Co. Hyster Co.	383.9	Kohlberg withdrew offer after ESCO Corp. agreed to acquire the remaining 81% of Hyster for $340.5 million.
McDonnell Douglas Corp. Tymshare, Inc.	378.7	Talks called off; no reason was given.
Private—Paul Kalmanovitz Pabst Brewing Co.	270.9	Pabst Brewing acquired by G. Heilemen Brewing for $241.3 million.
Private—Irwin L. Jacobs Kaiser Steel Corp.	270.7	Kaiser agreed to be acquired by a group headed by Tulsa, Oklahoma investor J. A. Frates for $377.9 million.
First City Financial Corp.—Canada Surburban Propane Gas Corp.	256.1	Suburban rejected offer and was acquired by National Distillers & Chemical Corp. for $269.3 million
Wells Fargo & Co. BanCal Tri-State Corp.	249.9	BanCal accepted offer of $240.3 million from Mitsubishi Bank of Japan.
Gibraltar Financial Corp. Financial Federation, Inc.	225.0	Financial Federation agreed to be acquired by Great Western Financial for $204.7 million.
Pillsbury Co. Stokely-Van Camp, Inc.	170.2	Stokely contested offer; acquired by Quaker Oats for $211.4 million.
Sharon Steel Corp. Evans Products Co.	155.0	Evans' lenders did not approve Sharon's takeover plan for the remaining 57% of Evans.
Forstmann Little & Co. Pargas, Inc.	132.3	Pargas acquired by Reliance Group for $154.4 million.
Private Group—included the chairman and president of Interpace Interpace Corp.	129.4	Interpace accepted offer of $138.5 million from Clevepak Corp.

Source: W. T. Grimm & Co.

Figure 56.

COMMENTARY/OUTLOOK

Today's acquisitions, like those in the past, are motivated by a desire for growth and increased profits. However, changes in the economy, certain industries, and management philosophies have brought about corporate combinations distinguishable from the mergers of the last 20 to 30 years.

Acquisition Strategies of the 1970s

Following the conglomerate merger wave of the 1950s and 1960s and its driving strategy of diversification, the merger and acquisition market in the mid-70s emerged with new players and different game rules. The haphazardness of the conglomerate era matured into a cautious and selective approach to the acquisition process. Having recognized the value of careful planning, corporate managements initiated highly organized acquisition strategies consisting of comprehensive searches, detailed industry reports and a thorough evaluation of acquisition candidates.

A striking characteristic of merger activity since 1975 has been the number of sizable transactions. The number of $100 million plus acquisitions grew tenfold from 1975 to 1983. Unlike the 1960s' conglomerate builders whose growth plans emphasized acquisitions of small and medium firms operating in a variety of unrelated businesses, many of the merger participants since 1975 were large, well-established concerns acquiring financially healthy and well-managed companies enjoying strong market positions. The acquired companies, in most cases, ranked first or second within their industries.

This long-term increase in large-scale consolidations reflected a widespread corporate management response to the rapidly changing economic environment of the last ten years. Given high inflation, the high cost of capital and the low marketplace valuation of assets, merger and acquisition strategies became primary management tools for overcoming declining growth rates. Merger and acquisition plans were, in turn, strongly supported by the development and application of new strategic planning and control methods. Management priorities were to lessen risks and to improve cash flows. Acquisitions enabled acquirers in mature slow-growing industries to add new sources of earnings, resulting in newer and larger conglomerates or multicompanies such as Allied Corp., Allegheny International, Esmark, RCA, and United Technologies.

But the diversification policies of the old conservative giants in the '70s differed from the random approach of the '60s conglomerates. The policies of the '70s entailed a theme of "portfolio-style" management stressing financial considerations—acquiring the latest winners, discarding the losers, and purchasing inflation hedges such as natural resource companies. Buying assets at bargain prices was the cornerstone of corporate acquisition strategies.

Change in Management Thinking—Current Trends

These diverse holdings that were supposed to help conglomerates balance gains and losses were of little value during the last recession, when the deepest downturn since the Great Depression undermined sales in virtually every market. Furthermore, volatile swings in interest rates added that much more difficulty to managing dissimilar businesses effectively. As a result, extensive diversification strategies have given way to policies focusing on narrower, related fields—a "back to the basics" philosophy. Today's acquisitions reflect this change in management philosophy. Companies are acquiring businesses that will strengthen their operations either through purchases of new products complementing their existing products or similar products in new markets. For instance, the 1983 WTG 100 Million Dollar Club - a listing of the 138 largest deals - contained only seven acquisitions of unrelated businesses.

Divestitures

Armed with a renewed emphasis on efficiency, tighter control, and product quality, companies are divesting slow-growing, cash-draining, and unrelated business units. The dominant characteristic of corporate strategies in the '80s has been "asset redeployment." Corporations are redeploying their assets to support those businesses they know best. Corporate divestitures have increased from 666 in 1980 to 932 in 1983. We expect the divestment trend to continue because of three major factors: (1) the effects of the recent recession, (2) fundamental changes in the economy, and (3) the greater usage of proxy battles.

The recent recession took a severe toll on corporate profits, forcing corporate managements to sell units to raise cash and/or divest weaker-performing operations. Not wanting to enter the next economic downturn with the same business mix, companies will continue to reevaluate their divisions and institute corresponding asset redeployment programs.

With the economy transforming from a manufacturing-based system to one dominated by service-oriented and high-tech industries, slower-growth manufacturing businesses will continue to be divested. As we indicated earlier, divestitures in "smoke-stack" industries such as Primary Metal Processing, Fabricated Metal Products, and Industrial/Farm Equipment accounted for more than half of all acquisition activity in each industry during 1983.

Moreover, because of the conglomerates' concentration in the older manufacturing industries, they emerged from the past recession with more battle scars than the average company. Managements' new drive to dismantle these diversified monoliths will certainly add fuel to the divestiture spree.

As companies implement restructuring programs, the stock market is rewarding them by raising their stock prices. Encouraged by the stock market's overall gain and keenly aware of the higher values placed on corporations redeploying their assets, more investors are staging proxy fights to gain control of a company and force it to sell off assets. Since a growing number of institutional shareholders are siding with the dissenting investor group and voting against management, more companies will choose some type of restructuring rather than face a proxy battle.

Leveraged Buyouts

The prospective increase in divestitures will add impetus to yet another recent growing trend, leveraged buyouts (LBOs). With more corporations selling their units to divisional managers, unit management buyouts, most of which are leveraged, jumped from 49 in 1978 to 139 in 1983.

Another subset of LBOs, going private transactions, rose from 16 in 1979 to 36 in 1983. Corporate managements have taken publicly traded companies private for a number of reasons including a desire to eliminate shareholder-related expenses and reporting requirements to the SEC; a lack of sufficient investor interest in the stock of their companies; and the rebirth of an entrepreneurial spirit among managers. Of late, going private has even become a defense tactic against corporate raiders.

Awareness of the LBOs' enormous profit potential coupled with the widespread availability of funds have been instrumental in stimulating the LBO boom. A significant new source of financing emerged during the past year. Many large banks have formed buyout departments to offset the low level of traditional corporate credit demands. In addition, a growing number of funds have been organized to invest in the equity portion of the deals. Most firms specializing in LBOs organize such funds and they estimate that billions of dollars in equity financing is now available, compared with hundreds of millions of dollars just a few years earlier.

The commercial banks' entry into the LBO financing business and the growth in pools of equity funds have sparked an increase in the size of LBOs. The WTG total dollar value paid for unit management buyouts rose from $1.4 billion in 1982 to $2.5 billion in 1983, with buyouts priced at $100 million or more increasing from five to eight. At the same time, aggregate dollars paid for going private deals surged from $2.8 billion in 1982 to $7.1 billion in 1983, with $100 million plus deals rising from 11 to 14. Furthermore, half of the 20 largest going private deals of the last five years were announced in 1983.

The LBOs' quick rise to popularity has been accompanied by a sense of apprehension. A major concern in the LBO community today is that with so much money chasing after deals, the purchase prices are becoming too high. The ready access to LBO funds allows LBO specialists and organizers to be competitive with other buyers, notably other publicly traded companies, resulting in higher prices paid for LBO candidates. The WTG Research Department calculated a median P/E paid of 8.1 times earnings for going private deals in 1979. The median grew to 13.8 times earnings in 1983.

Another concern is the conflict of interest issue. The LBO candidate's management, on the one hand, represents the public holders and is obligated to obtain the best possible price. On the other hand, it is also a part of the buying group and is in favor of making the purchase at a bargain price. This dual role, therefore, creates a conflict of interest which has been the subject of several shareholder suits. It has even attracted the attention of the SEC. SEC Commissioner Bevis Longstreth has publicly suggested reform measures.

These two situations appear to be contradictory, one expresses an anxiety about prices being too high and the other claims that prices are not competitive enough.

With new equity funds being assembled, the LBO trend will surely persist. For instance, during 1983, Kohlberg, Kravis, Roberts & Co. began assembling the largest pool of funds, representing $1 billion. Chicago-based Heizer Corp. also launched a program in December, 1983 to raise up to $1 billion from private investors.

Effects of Deregulation & Antitrust

Two government policies, deregulation and the easing of antitrust rules, have played a significant role in enhancing merger and acquisition activity. Deregulation has been prominent in the railroad and financial industries. The railroad industry, which has experienced major consolidations in the past few years, produced the $5.1 billion merger between Santa Fe and Southern Pacific, the largest deal in 1983.

Financial deregulation has spurred combinations among banks, savings & loans, insurers, brokerage firms, and other financial service-oriented concerns, all competing to become financial supermarkets. Witness the 1983 acquisition of RCA Corp.'s consumer-finance company, C.I.T. Financial, by Manufacturers Hanover for $1.5 billion, the largest acquisition ever by a U.S. bank holding company. Moreover, as barriers to interstate banking continued to erode, larger bank consolidations accelerated. Large regional banks are merging in order to compete with the money-center banks. Much of the regional combinations has been concentrated in New England and is expected to spread to other parts of the country, particularly the Southeast. With the eventual arrival of interstate banking a certainty, acquisition activity within the financial services area will remain a major characteristic of the '80s merger scene.

An acquisition binge could erupt in the broadcasting industry, the latest area that may undergo some form of deregulation. The FCC is considering eliminating regional and nationwide limits on ownership of television and radio stations.

The Justice Department's former antitrust chief, William F. Baxter, instituted policies which reflect the Reagan Administration's free-market approach. Stressing the irrelevancy of size and the importance of efficiency, Baxter revised the Justice Department's merger guidelines which permitted "vertical" combinations between suppliers and customers. "Horizontal" mergers between competitors were made easier by raising the level of market concentration at which Justice would challenge a deal. A new test of concentration, the Herfindahl index, was implemented by Baxter. The test takes into account the market shares of all significant competitors, including foreign ones. The test used by Justice prior to Baxter was based only on the market shares of the four largest competitors. Baxter's successor, J. Paul McGrath, foresees no major policy changes.

More Activity in Certain Sectors

In view of the Justice Department's stance on horizontal acquisitions and corporate managements' sharpened strategic focus, combinations between similar and/or related businesses will continue to be a main distinguishable feature of M & A trends during the '80s. With the economy shifting toward service and high technology industries, the manufacturing sector, particularly the capital goods and "smokestack" industries which have been hit hardest by the recession and foreign competition, will continue to consolidate. Acquisitions of manufacturing companies increased 21%, rising from 911 in 1982 to 1,100 in 1983.

Corporate purchases will also begin to accelerate in the high-tech sector. With the number of new companies growing and technologies becoming obsolete fairly quickly, industry shakeouts are inevitable. A shakeout is already imminent among business computer software companies, as the top three leaders, Microsoft, Micro Pro, and Lotus Development, are expected to gain additional market shares. The remaining companies that have fewer resources for marketing, distribution, and R&D will either fold or be acquired.

The soft oil market has left many companies with undervalued assets. Due to the higher cost of finding new oil, acquisitions of additional reserves at bargain prices will continue.

Competitive M & A Market Expected

Growing optimism about the future of the economy and the availability of internal funds fueled 1983's increase in M & A activity. Both the economic recovery and corporate cost control measures produced a surge in profits which along with lower taxes and inflation increased corporate cash flow. Flushed with cash, companies were able to raise dividends, repay debt, increase capital spending, and activate strategic acquisition programs. Cash flow is expected to continue to rise, although more slowly by mid-1985. Thus, companies will have plenty of cash to invest or pay out as dividends.

The historic rise in equity prices enabled corporate acquirers to finance their offers by issuing their stock or by obtaining funds through initial or secondary public offerings. Stock superseded cash during 1983 and became the dominant form of payment for the first time in ten years.

With numerous companies able to finance their purchases internally, there will be plenty of corporate buyers, resulting in a competitive acquisition market. Such competition could drive up prices for sellers and even bring back more spirited takeover battles. In view of the other impending trends, more divestitures, LBOs, and consolidations in selected industries, 1984 promises to be a quite frenzied year with acquisitions most likely surpassing the 1983 level.

II.

HISTORICAL DATA CHECKLIST
A Twenty-One Year Summary
1963 – 1983

TWENTY–ONE YEAR STATISTICAL REVIEW

		1963	1964	1965	1966	1967	1968	1969	1970	1971	1972
Net M & A Announcements		1,361	1,950	2,125	2,377	2,975	4,462	6,107	5,152	4,608	4,801
Total Dollar Value Paid *(billions of dollars)*		*	*	*	*	*	43.0	23.7	16.4	12.6	16.7
Method of Payment	Cash	*	64%	67%	61%	36%	29%	32%	29%	32%	34%
	Stock	*	26%	29%	35%	60%	62%	57%	52%	49%	51%
	Combination	*	4%	4%	4%	4%	9%	11%	16%	17%	14%
	Debt	#	#	#	#	#	#	#	3%	2%	1%
Divestitures		*	*	191	264	328	557	801	1,401	1,920	1,770
Acquisitions of Publicly Traded Sellers		*	*	*	*	*	*	*	*	*	*
Acquisitions of Privately Held Sellers		*	*	*	*	*	*	*	*	*	*
Total Foreign Sellers		*	*	*	*	*	*	*	*	*	531
Total Foreign Buyers		*	*	*	*	*	*	*	*	*	88
Average P/E Paid		*	20.7	19.4	16.5	17.6	24.6	21.0	23.1	24.3	21.4
Average Premium Paid Over Market		*	*	*	*	*	25.0	25.0	33.4	33.1	33.8
Cancelled Transactions		*	*	*	*	*	*	*	527	332	315

*Item not tracked during that year.

#A separate count for debt payments began in 1970.

TWENTY–ONE YEAR STATISTICAL REVIEW (continued)

		1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Net M & A Announcements		4,040	2,861	2,297	2,276	2,224	2,106	2,128	1,889	2,395	2,346	2,533
Total Dollar Value Paid *(billions of dollars)*		16.7	12.5	11.8	20.0	21.9	34.2	43.5	44.3	82.6	53.8	73.1
Method of Payment	Cash	41%	48%	48%	52%	54%	46%	53%	47%	42%	37%	32%
	Stock	44%	33%	27%	26%	26%	30%	26%	31%	34%	29%	35%
	Combination	14%	16%	23%	20%	18%	23%	20%	21%	23%	31%	33%
	Debt	1%	3%	2%	2%	2%	1%	1%	1%	1%	2%	—
Divestitures		1,557	1,331	1,236	1,204	1,002	820	752	666	830	875	932
Acquisitions of Publicly Traded Sellers		*	68	130	163	193	260	248	173	168	180	190
Acquisitions of Privately Held Sellers		*	*	*	856	971	969	1,049	988	1,330	1,222	1,316
Total Foreign Sellers		323	257	178	126	112	98	119	102	101	121	146
Total Foreign Buyers		143	173	184	178	162	199	236	187	234	154	125
Average P/E Paid		18.9	13.5	13.3	15.1	13.8	14.3	14.3	15.2	15.6	13.9	16.7
Average Premium Paid Over Market		44.5	50.1	41.4	40.4	40.9	46.2	49.9	49.9	48.0	47.4	37.7
Cancelled Transactions		324	308	267	177	150	171	219	178	163	189	162

**Item not tracked during that year.*

# A separate count for debt payments began in 1970

THE WTG RECORD HOLDERS

Item	Record	Year Attained
Net Merger & Acquisition Announcements	6,107	1969
Total Dollar Value Paid	$82.6 billion	1981
Cash Payments	67%	1965
Stock Payments	62%	1968
Combination Payments	33%	1983
Acquisitions of Publicly Traded Sellers	260	1978
Acquisitions of Privately Held Sellers	1,330	1981
Foreign Sellers	531	1972
Foreign Buyers	236	1979
Average P/E Paid	24.6X	1968
Average Premium Paid Over Market	50.1%	1974

III.

MERGERSTAT® INDUSTRY ANALYSIS of 50 Seller–Based Classifications

1983

MERGERSTAT® INDUSTRY ANALYSIS

The following statistics are provided for each of the 50 seller-based WTG industry classifications:

Net Announcements — the total number of completed or pending transactions as of 12/31/83.

VALUATION OF TRANSACTIONS

Price Paid — the total dollar value paid expressed in millions of dollars.

Base — the number of transactions disclosing a purchase price, i.e., the base on which total dollar value was tabulated.

Price/Earnings Paid — the average P/E paid.

Base — the number of transactions disclosing the seller's earnings, i.e., the base on which average P/E paid was computed.

Percent Premium Paid — the average premium paid over sellers' market prices five business days prior to the initial announcement.

Base — the number of transactions where a premium paid over market was computed.

METHOD OF PAYMENT

Cash — the number of transactions where cash was used as payment.

Stock — the number of transactions where stock was used as payment.

Combination — the number of transactions where a combination of cash, stock and/or debt was used.

Debt — the number of transactions where straight and/or convertible debt was used.

Divestitures — the number of divisional/partial sales; divestiture figure is included in net announcements.

Foreign Buyers — the number of transactions involving foreign buyers.

FULL YEAR — 1983

Industry Classification of Seller	Net Announcements	VALUATION OF TRANSACTIONS						METHOD OF PAYMENT				Divestitures	Number Foreign Buyers
		Price Paid (Millions)	Base	Price Earnings Paid	Base	Percent Premium Paid	Base	Cash	Stock	Combination	Debt		
Agricultural Production	13	$ 204.0	6	13.7X	2	19.4%	3	4	—	1	—	7	—
Food Processing	74	1,163.6	18	14.3	5	48.6	5	13	1	9	2	27	9
Beverages	11	1,548.4	8	17.0	2	33.6	3	5	—	—	—	5	2
Apparel	24	138.1	6	7.2	3	19.1	2	4	2	2	—	6	—
Textiles	16	1,212.7	12	17.9	5	32.4	6	9	—	—	—	6	1
Timber & Forest Products	7	13.8	2	—	—	—	—	—	1	—	—	3	—
Paper	11	269.7	7	13.8	1	19.0	1	1	1	3	—	6	1
Packaging & Containers	29	1,297.5	11	15.2	2	29.1	2	4	1	5	—	20	4
Furniture	18	249.4	8	10.6	2	2.1	1	3	2	2	—	8	—
Building Products & Materials	26	268.4	12	14.2	2	71.3	2	5	3	5	—	11	2
Household Goods	30	1,300.0	14	27.1	4	30.8	3	3	3	7	1	14	1
Printing & Publishing	56	892.9	20	14.2	7	43.1	4	13	2	3	—	28	7
Chemicals, Paints & Coatings	55	1,080.1	15	—	—	—	—	4	2	1	—	37	10
Drugs, Medical Supplies & Equipment	86	904.1	33	31.9	1	25.7	2	3	19	19	1	20	2
Toiletries & Cosmetics	10	115.3	5	12.6	2	—	—	2	2	1	—	6	—
Plastics & Rubber	44	148.7	8	8.4	1	7.0	1	4	2	4	—	23	1
Stone Clay & Glass	27	499.0	15	12.8	2	35.9	2	5	1	6	—	16	1
Primary Metal Processing	39	1,340.6	14	9.5	3	35.6	3	2	3	4	—	28	—
Fabricated Metal Products	55	154.7	16	17.7	1	—	—	8	3	7	—	35	4
Industrial & Farm Machinery Equipment	104	1,151.4	30	13.3	5	28.9	6	17	5	10	—	55	6
Construction, Mining & Oil Field Machinery Equipment	20	548.5	7	28.0	2	41.4	3	5	1	—	—	8	1
Valves, Pumps & Hydraulics	20	281.6	8	16.6	2	—	—	4	2	2	—	12	—
Autos & Trucks	4	173.5	2	—	—	—	—	—	—	2	—	1	—
Automotive Products & Accessories	10	29.0	2	—	—	—	—	1	—	1	—	8	2
Electrical Equipment	49	513.1	20	18.1	1	39.1	1	6	4	10	1	31	2
Office Equipment & Computer Hardware	59	1,059.9	24	24.4	3	64.8	1	9	12	5	—	30	2

(Continued on following page)

FULL YEAR — 1983 (continued)

Industry Classification of Seller	Net Announcements	VALUATION OF TRANSACTIONS						METHOD OF PAYMENT				Divestitures	Number Foreign Buyers
		Price Paid (Millions)	Base	Price/Earnings Paid	Base	Percent Premium Paid	Base	Cash	Stock	Combination	Debt		
Electronics	81	$ 471.9	29	16.1X	5	25.3%	3	7	18	11	—	24	5
Aerospace, Aircraft & Defense	15	887.4	7	20.9	2	38.9	1	4	1	1	—	7	2
Instruments & Photographic Equipment	53	513.8	25	30.5	2	24.0	3	11	8	7	—	27	1
Toys & Recreational Products	23	37.3	4	1.1	1	—	—	1	1	5	—	5	—
Miscellaneous Manufacturing	51	91.8	17	18.7	2	28.5	1	3	11	6	—	19	3
Oil & Gas	111	12,075.8	69	17.8	18	38.3	23	25	48	16	—	33	9
Mining & Minerals	18	2,946.2	11	9.7	1	—	—	1	3	4	—	9	2
Transportation	36	5,254.6	8	14.1	2	23.5	1	2	6	3	—	12	—
Communications	33	563.2	8	—	—	—	—	—	10	2	—	4	—
Broadcasting	60	3,747.1	36	36.3	2	69.4	2	6	2	4	1	44	—
Electrical, Gas, Water & Sanitary Services	27	511.1	13	14.2	3	60.7	2	4	3	7	—	14	—
Wholesale & Distribution	107	364.9	29	11.7	5	32.9	4	12	15	18	—	30	4
Retail	90	1,489.0	42	13.5	7	43.1	5	13	14	12	—	42	5
Banking & Finance	331	13,628.3	194	13.2	33	40.6	31	48	70	74	1	45	7
Insurance	67	2,966.1	38	15.0	8	62.3	7	13	10	11	—	25	5
Real Estate	28	829.3	11	8.5	4	—	—	—	4	7	1	8	—
Brokerage, Investment & Management Consulting Services	63	1,455.3	18	19.5	4	36.9	3	5	4	9	—	14	6
Computer Software, Supplies & Services	119	666.1	60	26.6	5	31.3	2	14	38	16	1	26	2
Construction Contractors & Engineering Services	42	423.3	19	14.2	1	41.1	2	7	6	6	—	9	2
Energy Services	21	66.4	7	8.1	1	99.9	1	2	4	3	—	8	2
Health Services	63	1,999.4	26	21.2	8	30.3	7	8	10	5	—	10	2
Leisure & Entertainment	49	1,797.4	27	30.1	5	32.9	6	9	8	8	—	15	2
Miscellaneous Services	135	991.7	45	17.0	5	24.6	4	15	17	16	—	51	8
Conglomerate	13	2,745.1	11	20.5	7	31.8	9	6	4	2	—	—	—
Totals	2,533	$73,080.5	1,077	16.7	189	37.7	168	350	387	362	9	932	125

MERGERSTAT INDUSTRY CLASSIFICATIONS

The WTG industry classifications are based on the Standard Industrial Classification (S.I.C.) code numbers. For the convenience of subscribers, we list below the WTG industry categories along with the corresponding S.I.C. code numbers.

WTG Mergerstat Industry	S.I.C. Code Numbers
01—Agricultural Production	0111-0783, 0900s, 2100s
02—Food Processing	2011-2079, 2087-2099
03—Beverages	2082-2086
04—Apparel	2311-2389, 3021, 3131-3172
05—Textiles	2211-2299, 2393, 2395, 2397, 2399
06—Timber & Forest Products	2421-2431, 2435-2439, 2491, 2492, 0800s
07—Paper	2611-2649
08—Packaging & Containers	2441, 2448, 2449, 2651-2655, 3221, 3411
09—Furniture	2434, 2500s
10—Building Products & Materials	2451, 2452, 2661, 3442, 3446, 3448, 3996
11—Household Goods	2391, 2392, 2841, 2842, 3261, 3262, 3263, 3421, 3631-3636, 3639, 3651, 3914
12—Printing & Publishing	2700s
13—Chemicals, Paints & Coatings	2812-2821, 2824, 2843, 2851-2899
14—Drug~~s, Medical~~ Supplies & Equipment	2830s, 3693, 3841-3851
15—Toiletries & Cosmetics	2844
16—Plastics & Rubber	2822, 2823, 3031-3079
17—Stone, Clay & Glass	3211, 3229-3259, 3269-3299, 1422, 1423, 1429, 1442, 1446
18—Primary Metal Processing	3300s
19—Fabricated Metal Products	3412, 3423-3441, 3443, 3444, 3449-3463, 3466-3493, 3495-3499
20—Industrial & Farm Equipment & Machinery	3511, 3519, 3523, 3524, 3534-3559, 3562-3569, 3581-3585, 3589, 3599
21—Construction, Mining & Oil Field Machinery & Equipment	3531, 3532, 3533
22—Valves, Pumps & Hydraulics	3494, 3561, 3586
23—Autos & Trucks	3711, 3713, 3715
24—Automotive Products & Accessories	2396, 3011, 3465, 3592, 3714
25—Electrical Equipment	3264, 3612-3629, 3641-3648, 3661, 3662, 3691, 3692, 3694, 3699
26—Office Equipment & Computer Hardware	3570s
27—Electronics	3671-3679
28—Aerospace, Aircraft & Defense	3721-3728, 3761-3769
29—Instruments & Photographic Equipment	3811-3829, 3861
30—Toys & Recreational Products	3652, 3732, 3751, 3792, 3931-3949
31—Miscellaneous Manufacturing	3911, 3915, 3951-3995, 3999
32—Oil & Gas	1311, 1321, 2911, 2992, 2999, 4612, 4613, 4619
33—Mining & Minerals	1011-1213, 1452-1499
34—Transportation	4011-4214, 4411-4583, 4712
35—Communications	4811, 4821, 4899
36—Broadcasting	4832, 4833
37—Electric, Gas, Water & Sanitary Services	4900s
38—Wholesale & Distribution	5000s, 5100s
39—Retail	5200s, 5300s, 5400s, 5500s, 5600s, 5700s, 5900s
40—Banking & Finance	6000s, 6100s
41—Insurance	6300s, 6411
42—Real Estate	6500s
43—Brokerage, Investment & Management Consulting Services	6200s, 6700s, 7392, 8931
44—Computer Software, Supplies & Services	7372, 7374, 7379
45—Construction Contractors & Engineering Services	1500s, 1600s, 1700s, 2411, 8911
46—Energy Services	1381, 1382, 1389
47—Health Services	8000s
48—Leisure & Entertainment	5812, 5813, 7000s, 7313, 7800s, 7900s
49—Miscellaneous Services	7200s, 7311, 7312, 7319, 7321-7369, 7391, 7393-7399, 7500s, 7600s, 8111, 8200s, 8300s, 8400s, 8600s, 8922
50—Conglomerate	diversified in three or more areas

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